Maine Forest Products Council

The voice of Maine's forest economy

MEMORANDUM

TO: Joint Standing Committee on Taxation

FROM: Maine Forest Products Council

DATE: March 16, 2026

RE: Committee bill regarding Tree Growth Tax Law review

The Tree Growth Tax Law (TGTL) has a long history in the state of Maine. The Maine Constitution sets out the basics of Tree Growth by ensuring that the Legislature can provide an assessment of real estate based on the current use of land when there is a significant public benefit to the current use of land. The relevant statute on Tree Growth goes further in the section on purpose:

> It is declared to be the public policy of this State that the public interest would be best served by encouraging forest landowners to retain and improve their holdings of forest lands upon the tax rolls of the State and to promote better forest management by appropriate tax measures in order to protect this unique economic and recreational resource. 36 M.R.S.A. §572.

Stability and predictability under this program are vitally important to Maine's $8.3 billion forest industry that supports more than 29,000 jobs across all 16 counties. The risk of policy changes to this program can be a strong disincentive to landowners who make investments in forested lands that aren't realized for decades. The TGTL program also plays an important role in keeping forests as forests, which provides a host of benefits to the State of Maine. Any recommendations to change this program should be made based on data provided by the Maine Forest Service.

While the Maine Forest Products Council understands that the committee has some questions regarding TGTL, primarily for coastal and waterfront lots, these questions are not new and have been extensively evaluated in the past. With that in mind, we recommend that the committee utilize the mechanism and structure outlined in LD 1470, "An Act to Evaluate the Harvesting of Timber on Land Taxed under the Maine Tree Growth Tax Law," to instruct the Maine Forest Service (MFS) to carry out a repeat audit to provide findings and recommendations to the Real Estate Property Tax Relief Task Force which may include legislation if necessary. Alternatively, the Committee could opt to have the report back to the Taxation Committee next year to provide MFS with the time that is necessary to conduct a meaningful audit.

We would recommend that a new audit maintain the same parameters as the 2014 MFS Tree Growth Tax Law Audit to provide consistency across data sets. Utilizing the same mechanism will maintain continuity in how the program is evaluated and measured, providing meaningful statistics rather than anecdotal information.

As part of LD 1470, in 2013 MFS conducted an audit of randomly sampled properties enrolled in the program. The Legislature charged MFS to make findings from the audit including:

1. Any findings related to any differences in compliance issues based on location of parcels, such as coastal and waterfront properties as compared to other parcels;
2. A summary of data concerning violations and enforcement activities;
3. An assessment of the effectiveness of the Maine Tree Growth Tax Law in promoting the harvesting of timber for commercial purposes and its impact on the fiber industry; and
4. Recommendations to address any problems identified and to ensure that parcels are enrolled under the Maine Tree Growth Tax Law meet the requirements of the law.

In addition to responding to these questions from the Legislature, MFS also sought to address three key questions of its own including:

1. Does the landowner's management plan meet the requirements of the TGTL?
2. Is the landowner following their management plan?
3. Has the landowner harvested wood from their enrolled land?

One limitation of the study was that information provided by municipalities to MFS did not permit identification of parcels that are truly waterfront, so conclusions about oceanfront and island properties could not be inferred from the report. MFS outlined suggestions on how to collect the additional information for these types of parcels for future review in partnership with coastal communities.

We recommend that a repeat audit of the program revisit the same questions to evaluate how trends in participation and compliance have changed since the 2013 review. It should also evaluate if previous recommendations were implemented, and if so, if they have been effective.

Utilizing the same mechanism and structure as the 2013 audit will provide better and more accurate data that can be used to evaluate actual trends than the outline provided within the Real Estate Property Tax Relief Task Force Bill Draft. We need consistent data to make informed decisions about how best to strengthen the program and protect it from potential abuse. Strengthening the TGTL while maintaining stable forest policy for our membership is vitally important to the health of the forest products industry.

Thank you for your consideration. Bill Ferdinand and Krysta West will be available at the Work Session to answer any questions that you may have.