

## **Fox, Danielle**

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**From:** Mastraccio, Anne-Marie  
**Sent:** Wednesday, February 26, 2020 10:47 AM  
**To:** Fox, Danielle  
**Subject:** Fw: BETR and BETE program

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**From:** Paul Balboni <pbalboni17@gmail.com>  
**Sent:** Wednesday, February 26, 2020 10:22 AM  
**To:** Mastraccio, Anne-Marie  
**Subject:** BETR and BETE program

**This message originates from outside the Maine Legislature.**

Dear Ms. Mastraccio,

Thank you for taking the time to read this email, I am not sure if this the correct place to send an email concerning the BETR/BETE program, if not please forward it to the correct person.

I read the article published in the Morning Sentinel on Feb 17, 2020 titled "Tax – break programs under fire" and found it very interesting.

Unfortunately I can not attend the public comment session on Feb 28<sup>th</sup> but wanted to tell you my perspective as a small business owner.

I own the Animal Hospital of Waterville and have diligently filled out the BETR/BETE all these years and have always thought that there must be a better way!

My returns are usually small less than \$1000 and \$150 to \$200 of that goes to the accountant to fill the forms. Its seems that it does little to spur equipment investment and creates needless work for the towns and small businesses.

As you through the instructions on what equipment qualifies for which program it's no surprise that most small businesses don't apply.

My decisions to purchase new equipment has never been based on this small amount of income from the tax return but on the overall business climate and the revenues created by hard work.

Wouldn't just an over all reduction in the business tax on property, without the need to file returns to get money back foster a better response to invest in your business?

The simplification of the process would be a welcome relief!

As a veterinarian I am not a tax expert but hopefully a better way is found to continue tax relief.

Thank you again for your time,

Sincerely,

Paul Balboni, Animal Hospital of Waterville.

Sent from [Mail](#) for Windows 10



CITY OF BANGOR

Public Comment to the Government Oversight Committee Regarding the Office of Program Evaluation and Government Accountability of the Maine State Legislature's Report on Business Equipment Tax Reimbursement (BETR) & Business Equipment Tax Exemption (BETE).

03/13/20

Senator Chenette and Representative Mastraccio and distinguished members of the Government Oversight Committee;

The City of Bangor would like to thank you for the opportunity to submit Public Comment regarding the report presented to the Committee from the Office of Program Evaluation and Government Accountability of the Maine State Legislature (OPEGA) regarding the Business Equipment Tax Reimbursement (BETR) & Business Equipment Tax Exemption (BETE) Programs.

The City appreciates the work performed by OPEGA in putting the report together and the opportunity to participate. The City's comments today are limited to the Impacts on Municipalities.

As noted in the report, the impacts of the BETR program on municipalities are minor as the reimbursement to taxpayers is completed by the State and the administrative work is partially completed by both the municipality and the State. In contrast, the impacts of the BETE program are far more significant. As BETE exempts the business from paying personal property taxes at the municipal level and the administrative burden also falls upon the municipality.

As of April 1, 2019, the City of Bangor's BETE exempt value was \$149,003,100. While the State does provide a reimbursement of the "lost personal property taxes" under BETE, the City of Bangor's reimbursement from the State was 59.4% of the lost personal property tax revenue. The lost personal property tax revenue for FY 2020 to the City of Bangor was \$1.4 million, which equates to .55 cents of our mil rate.

The City receives \$2.00 per BETE application which is intended to cover 90% of the municipal administration expenses as required by the Maine Constitution. The \$2.00 per application fee has remained unchanged since the program was enacted in 2006 and fails to take into account increases in the number of line items, the total assets per application or the administrative costs to notify taxpayers of non-eligible assets. As indicated in the report, municipal assessors must verify each asset submitted under the

program each year which is a time consuming and sometimes difficult process. The City of Bangor averages 300+ BETE applications each year, which equates to over 17,000 line items and 31,000 individual assets. If any assets are deemed ineligible, the City must spend over \$6.00 to notify the taxpayer by Certified Mail. It's clear to see that the \$600 in application fees (or .02 cents per asset) received is not adequate to cover the costs associated with this work.

The City does have concerns as to how the report may impact the future of these programs and the taxability of personal property as it indicated that neither program has a significant impact on a business's decision to purchase new equipment as well as the fact that no other states have such programs or simply eliminated personal property taxes altogether. The elimination of personal property taxes would result in a significant shift of the tax burden to the residential taxpayer; further exacerbating the tax shift that already occurs due to the BETE program.

If changes are envisioned, the City would encourage the Committee to consider the following:

- State costs have been reducing, but there has been no shift of those savings to the municipalities who are performing the bulk of the application process. While an increase in the application fee is warranted, that should be coupled with an increase in the municipal reimbursement to close or eliminate the tax shift to the real estate tax.
- Another possibility would be to eliminate the BETE program completely and move these assets to the BETR program which has no tax impact on the municipality. While on the surface this may initially seem extreme, the result benefits both the State and the municipalities with only a minor impact to the business owners. Whereas the report found that the taxability of an asset was not a driving factor by a business owner, it's reasonable to consider that paying the tax up front under BETR and then receiving reimbursement would not significantly impair the business operation. The municipalities would receive the full tax without having to shift some of that burden to the real estate tax and eliminate the administration burdens of the BETE program. The State would also save by not having to administer two programs which has included tracking and collecting more than \$1.1 million of BETE payments to municipalities that were determined to be in error due to program calculations or ineligible assets.
- Consider developing a fiscal note related to the municipality, business owner and residential tax payer, not just the fiscal impact to the State.

Thank you for your time and consideration and we would welcome the opportunity to assist in any process to amend or eliminate these programs.

Clare Davitt, Chair of City Council	<a href="mailto:clare.davitt@bangormaine.gov">clare.davitt@bangormaine.gov</a>	207 478-1544
Phil Drew, City Assessor	<a href="mailto:phil.drew@bangormaine.gov">phil.drew@bangormaine.gov</a>	207-992-4211
Catherine Conlow, City Manager	<a href="mailto:cathy.conlow@bangormaine.gov">cathy.conlow@bangormaine.gov</a>	207 992-4201

**TESTIMONY OF  
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Government Oversight  
Hearing Date: February 28, 2020

Office of Program Evaluation and Government Accountability  
report on  
Business Equipment Tax Reimbursement &  
Business Equipment Tax Exemption

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Senator Chenette, Representative Mastraccio, and members of the Government Oversight Committee – good morning, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services (DAFS). I am here today at the request of the Administration to testify on the Office of Program Evaluation and Government Accountability (OPEGA) report on the Business Equipment Tax Reimbursement (BETR) & Business Equipment Tax Exemption (BETE).

I would like to begin with the OPEGA’s administrative recommendations and findings. First, OPEGA found that “municipalities are not adequately reimbursed for mandated expenses.” Maine Revenue Services (MRS) has not heard from municipalities that this is an issue, but nonetheless agrees with OPEGA’s recommendation.

Second, OPEGA found that “MRS has not provided DAFS information on the BETE mandates that they administer as required by statute.” MRS began providing this information by report last fall and before that provided the information to DAFS and the Legislature as part of the budget process. DAFS is in the process of producing a report compiling the state-wide mandate payments.

Finally, OPEGA found that “MRS documentation to support adjustments to BETE payments is inadequate.” MRS recognizes the inherent shortcomings of a highly manual process and has developed procedures to supplement the documentation of adjustments. In addition, MRS is in the process of implementing a new computer system. As part of this modernization, BETE administration will become part of the overall tax system, replacing this manual process. MRS will use this opportunity to further address the documentation concerns identified and improve administration of the tax code.

Now I would like to turn from the administration of BETR and BETE to the programs themselves. It is worth reiterating a point made by OPEGA – most states, like Maine, have limited or eliminated the personal property taxation of business property. What is somewhat unique about Maine is the constitutionally required municipal reimbursement mechanisms of the two programs.

To put Maine’s BETR and BETE programs in a larger context, we can look to the National Conference of State Legislatures (NCSL) which issued a report, “Principles for the Taxation of Business Personal Property.” In that report, NCSL stated:

Taxes on business personal property do not align with common principles of taxation (such as neutrality, efficiency, transparency, benefit, or ability-to-pay); distort markets by discouraging capital investment, expansion, and replacement; and impose high administrative and compliance costs...

Recognizing the economically detrimental nature of personal property taxes, most states have enacted provisions limiting their scope or simplifying administration, and several have eliminated them altogether.

BETR and BETE are Maine’s way of dealing with the problems highlighted by the NCSL report.

To the extent that OPEGA found that BETR and BETE do not encourage capital investment in Maine because, as OPEGA reasoned, a majority of businesses receive too small a benefit to influence their investment, we would like to make two points.

First, as OPEGA noted in their report, the benefit to businesses can be significant for capital-intensive investments. BETR and BETE encourage businesses to make these types of investments in Maine by removing the disincentive caused by the taxation of business personal property. In fact, the Revenue Forecasting Committee increased the BETE reimbursement forecast in December and the Office of Tax Policy is recommending that they do so again at their meeting today, due in large part to capital-intensive projects in the State.

Second, it is useful to draw a distinction between narrowly targeted tax incentives and broad-based ones. Narrowly targeted incentives may clearly change the behavior of the recipient but only apply to a small number of taxpayers. When considering these incentives, it may make sense to take OPEGA's approach and ask whether a given business did or did not change their investment strategy.

However, while broad-based tax incentives may only have a marginal impact on any given taxpayer they apply across a large part of the economy. These incentives, by reducing disincentives to growth and removing structural problems in the tax code, such as those highlighted by the NCSL, can have a pronounced, state-wide impact.

Finally, the Department would like to highlight one of OPEGA's findings: "The concurrent administration of two programs targeting the same purpose adds another layer of complexity." The Department agrees that having two programs increases the administrative difficulties for municipalities and the State while

increasing compliance costs for taxpayers. This problem has been noted before. A task force, authorized by Public Law 2013, Chapter 368, compiled five recommendations for transitioning property from BETR into BETE.

Thank you for giving us the opportunity to testify and I would be happy to answer any questions from the Committee.





STATE OF MAINE  
DEPARTMENT OF ECONOMIC  
AND COMMUNITY DEVELOPMENT



JANET T. MILLS  
GOVERNOR

HEATHER JOHNSON  
COMMISSIONER

## Testimony of Heather Johnson, Commissioner of the Department of Economic and Community Development

February 28, 2020

Senator Chenette, Representative Mastraccio and members of the Government Oversight Committee, my name is Heather Johnson and I am the Commissioner of the Department of Economic and Community Development. I am here to offer comment on the BETR/BETE Programs.

One of the outputs of the Maine's Economic Strategic Plan was that a more stable business environment will help our economy grow. Private sector investment thrives when the rules are clear, predictable and stable. In my opinion that doesn't mean we never make changes, it means that as we consider changes, we are thoughtful of the impacts and projects underway.

At DECD we are about to enter our incentive program review required by statute. We will be reviewing all of our programs to determine the utility to the business community, competitiveness with other states and our state's clear goals outlined in the strategic plan. Modernization of these programs is critical to growth; the process of that work needs to ensure that have a predictable and transparent path forward for business and the state.

We believe it will be more impactful to look at the programs individually and as a set, and then make decisions on improvements.

In FY18 6,315 businesses utilized the Business Equipment Tax Exemption Program and in the same fiscal year, 1,396 utilized the Business Equipment Tax Reimbursement Program.

We also understand that the BETR/BETE Programs require a large state investment, and while we believe that this investment is important for economic growth, it is a responsibility that we take and will continue to take very seriously.

Thank you and I would be happy to take any questions.

February 28, 2020

Chairman Chennette, Chairwoman Mastraccio, and members of the Government Oversight Committee;

My name is Chris Pierce. I am a lifelong Maine resident, currently living in Cumberland, and principal owner of the Dingley Press, in Lisbon. We are a commercial printing company that prints and distributes over 300 million catalogs per year for 150 catalog companies nationwide. I am before you today to share Dingley's comments on the report recently issued by OPEGA on the BETR and BETE programs. To understand how BETR and BETE have been critical to our continued growth and capital investment in Maine, I'd like to take this opportunity to share a bit with you about the history of The Dingley Press, and its current operations.

The Dingley Press was founded in Lewiston in 1928. It soon formed a critical long-term relationship with L.L. Bean, printing its famous catalogs for 53 years. That partnership continued until 1981, when L.L. Bean changed its catalog printing process. That was when I purchased the company, believing in its capacity for continued success and even growth. At the time, we had around 100 employees – today, we have 350 and are the 4<sup>th</sup> largest catalog printer in the United States.

In 2020, we have printing and warehouse operations in Lisbon, Lewiston, and Auburn, with an annual payroll of over \$15.9 million. In these three facilities, we have many full-time employees from the local immigrant community. We are proud of our location in central Maine and proud to provide good jobs for Mainers in a part of the state that has lost so many. We source paper from mills here in Maine (specifically, Sappi and Nine Dragons) and are a significant payer of property taxes. Beyond the BETR and BETE programs, we pay over \$240,000 per year in property taxes to the municipalities in which we are located.

In 2017, we committed to continued growth here in Maine by investing \$20 million in equipment upgrades, including a new printing press, a co-mail line, and additional support equipment. In making that investment, Dingley planned and relied upon the continued existence of both the BETR and BETE programs.

As a business fully dependent on expensive equipment, BETR and BETE have been essential to our company to maintain price-competitiveness with printers in other states that do not impose property tax on business equipment to begin with, or have lower tax structures than we have in Maine. For example, we have competitors located in Wisconsin, Pennsylvania and Illinois. None of those states impose property tax on business equipment. In general, the other New England states do not tax business equipment either.

Businesses need a stable tax environment in order to have certainty that capital investments are justified in the long-run. Unfortunately, over the life of the BETR program, the program has been targeted for cuts on many occasions. BETE has been more reliable, but our business relies on both. Now, with the recommendations contained in the OPEGA report, we are concerned that both BETR and BETE are being targeted for change or elimination. We strongly urge this Committee to carefully consider the impacts of the proposed recommendations on Maine businesses.

While we appreciate that OPEGA evaluated the program based on the parameters set by this Committee, we do not believe the parameters accurately represent the intent of the program – to level the playing field with other states so that Maine businesses can compete with other states that do not tax business equipment at all, or tax it more favorably than Maine does.

Without BETE, our recent investment would be hit with a \$525,000 penalty per year in the form of additional property taxes. That is a penalty our competitors won't pay. Maine already has some significant barriers to business growth, such as high transportation costs, a high overall tax burden, and a shortage of labor. Tinkering with BETR and BETE will only send a message that this Legislature and this administration are not serious about working to grow Maine's economy – which directly contradicts the recent ten-year plan proposed by Governor Mills.

Our business faces enough pressures without the Legislature adding \$525,000 to our tax liability every year. Catalog publishing is a declining industry with the shift to consumers buying on line. We run at a profit margin of only 1% to 2% per year, and increasing our property taxes by this magnitude would be a huge threat to our business and our 350 employees.

If this Committee chooses to accept the OPEGA report, I hope it will work closely with the Taxation Committee to understand the impacts of any potential changes to the BETR and BETE programs, and we urge you not to take any action that will discourage investment in Maine or retroactively impact businesses like ours that have made investments with reliance on these programs.

Thank you for your time and consideration.

Chris Pierce

**Connors, Etta**

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**From:** Deb Hart <debhart@hartpublicpolicy.com>  
**Sent:** Friday, February 28, 2020 7:42 AM  
**To:** Connors, Etta  
**Subject:** Comments on the OPEGA BETR/BETE Report  
**Attachments:** By way of background.docx

This message originates from outside the Maine Legislature.

Ms. Connors:

Please include these comments on the BETR/BETE report on behalf of Hannaford Supermarkets.

Deb Hart, President Hart Public Policy, Inc.

By way of background, Hannaford has been doing business in the State of Maine since the late 1800's and currently employs approximately 10,000 associates in the State; 900 of which are in the corporate offices located in Scarborough, Maine. Hannaford is one of the largest employers in the State with their office being located in Scarborough, distribution centers in South Portland and Winthrop, and 63 retail stores located around the State. From these facilities they service not only their Hannaford stores in Maine and New Hampshire, but also a number of independent stores that carry the Hannaford brand.

Hannaford has been utilizing the BETR program for several important investments in their facilities including state-of-the-art energy efficiencies, refrigeration units and updated systems that enhance the flow of product in their warehouses. This program has been a benefit to a Maine company that is competing for customer dollars and working for proficiencies that allow them to provide the best products at competitive prices, while improving such things as energy efficiency and the reduction in ozone-depleting substances (CFCs and HCFCs).

Hannaford built the first LEED Platinum supermarket in the world in Augusta, Maine (Leadership in Energy and Environmental Design), and they have continued to look at how to be a leader in limiting the use of hydrofluorocarbons to fight climate change.

These are important steps that Hannaford has undertaken to make sure that Maine remains a place where we all want to work and raise our families. Having said that, Hannaford not only has to compete within the State of Maine, but with businesses in several northeastern states.

In closing, we want you to know that this program has been instrumental in the growth of the company in Maine and it is for these reasons we would oppose the phase out of this important economic tool for companies in Maine.

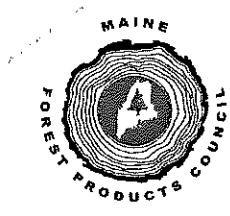
Jana Lapoint 2-28-20

Although today I am representing the Manufacturers Association of Maine, I would like to briefly give you some insight of one company, my company, UF Strainrite and Packgen of Auburn, Maine and how various state economic development plans made a difference for why we brought our company to Maine and have happily remained here since 1988.

In 1986, my husband was in a trade show for our product which at the time was strictly filters used in filtering liquid products such as paint, water, chemicals and oils. A gentleman by the first name of Harry, approached John, representing Maine Economic Development. He stayed on our radar with weekly calls to John at our plant in New Haven, Connecticut. Finally, we agreed to attend a high level invitation for a dinner meeting in Boston ( I must admit I forgot the name of the hotel but the night was great success but it was expensive for Maine by Maine standards. Our table guests from Maine were rather upset, which is an understatement, when there appeared a waiter to service each of us at the table. They could not understand the need to go to such lengths to attract business to Maine. The Maine speaker for the night was Jim Ore of Unum and as expected, he represented Maine well. We left and decided a visit to Maine was essential. My husband had always loved Maine as he visited his cousin's farm in Stetson, Maine each summer. We also looked at various other communities in Pennsylvania, New Jersey, New Hampshire and New York. One day, there was a phone call from the governor of Maine, Governor John McKernan and at the end of the call John hung up the phone and said, "that's it we're going to Maine", I know it's right and it was. Then just five years later John was taken from us with a heart attack. With two sons, a daughter, myself and a wonderful team of employees we continued to run and expand the business. How can you, as a committee, sometimes determine what the real value of what your economic endeavors have produced. Strainrite and Packgen together employ over 120 people. We have used the BETR reinvestment for capital improvements with the purchase of a sonic welder that fuses a filter material to a plastic bag-not very sexy but substantially improved the efficiency of our operation. That piece of equipment cost over \$120,000 and with the BETR program made it possible for us to purchase a second. For the

state BETR has been a “safe” investment and it becomes a win, win not only for business, the city where the company is housed, the many employees that live there, but further allows our business to grow and to become competitive all over our country and the world. I cannot give you many statics but these are some for the 2016 year for companies that received a 2017 reimbursement. There were 1,429 Maine companies that received BETE assistance. Only 5 of them received over 1million and the other 1,424 were under that amount and went to relatively small businesses. Think of what that tax break did for those companies and also what they had to pay just to make the purchase. Our company has also participated in programs sponsored by MTI. We have always tried to be good stewards of Maine and its people.

You, the State of Maine have not just invested in these companies, you have invested in the future of Maine and its workers. Do not take likely the impact you are providing toward the future of our State.



# Maine Forest Products Council

*The voice of Maine's forest economy*

## Companies represented on the MFPC Board

American Forest Mgmt.  
Baskahegan Co.  
BBC Lands LLC  
Cross Insurance  
Family Forestry  
Farm Credit East  
Fontaine Inc.  
Hancock Lumber  
H.C. Haynes  
Huber Resources  
Innovative Natural  
Resource Solutions  
J.D. Irving  
Katahdin Forest Mgmt.  
Key Bank  
LandVest Inc.  
Limington Lumber  
Louisiana Pacific  
Maibec Logging  
Nicols Brothers  
Pingree Associates  
Pleasant River Lumber  
Prentiss & Carlisle  
ReEnergy  
Richard Wing & Son  
Robbins Lumber  
Sappi North America  
Southern Maine Forestry  
Stead Timberlands  
TD Bank  
Timber Resource Group  
Timberstate G.  
Verso Paper  
Wadsworth Woodlands  
W.T. Gardner & Sons  
Wagner Forest Mgt.  
Weyerhaeuser

## MFPC Testimony in Support of BETR and BETE

February 28, 2020

**Patrick Strauch, executive director**

Senator Chenette, Representative Mastraccio and distinguished members of the Government Oversight Committee, I am Patrick Strauch, executive director of the Maine Forest Products Council.

Since 1961, MFPC has represented the broad spectrum of our state's diverse forest products community, including logging contractors, sawmills, pulp and paper mills, biomass energy facilities, pellet manufacturers, furniture manufacturers, and the owners of more than eight million acres of commercial forestland in Maine.

A broad range of the Council's members use the BETR/BETE program, from paper mills to sawmills to loggers. This is an important tax provision that is standard in many of the states that support forest products businesses.

Maine is often ranked among the nation's worst states for business, but both of these programs have mitigated the impact of the tax disadvantage.

That's why the Council's strongly disagrees with the assertion in the recent report by the Office of Program Evaluation and Government Accountability (OPEGA) that BETR and BETE lower the cost of owning business equipment, but have limited influence on capital investment decisions.

Over the years, our members have been among the countless businesses that have come to the Legislature to testify about the effectiveness of these programs. This tax relief helps companies keep fixed costs down so they can stay competitive. BETR and BETE play a key role in helping companies attract capital investment to modernize, create and retain jobs, and support both direct and indirect jobs.

It should come as no surprise that Maine paper companies are among the heaviest users of the program. Our industry has weathered some the hard times in the past few years, but Maine's remaining mills have invested heavily to modernize. Without those investments, Maine would have lost more mills and more jobs.

Our state's sawmills and loggers also have made large capital investments in equipment and new investments are still being made.

Thanks to these investments – about \$1 billion in a back-of-the-envelope calculation -- a new, stronger forest economy is emerging in Maine. But national and international markets are extremely competitive. This is certainly not the time to pare back these programs.

We also wish OPEGA had devoted more attention to what was supposed to be a key elements of this report, as directed by the 128th Legislature's Government Oversight Committee (GOC). Tax relief offered in other states and nations is a serious concern for Maine industries, including forest products.

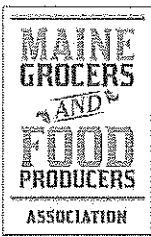
We need to consider ways to level this playing field, but this report contains little information beyond noting that "OPEGA found no other states with tax expenditures that have similar reimbursement mechanisms to BETR or BETE. However, according to a publication from the



National Conference of State Legislatures, most states have enacted provisions which limit the scope of personal property taxes or simplify their administration, and several states have eliminated personal property taxes altogether.”

Perhaps OPEGA can take a harder look at “Efforts by Other States to Reduce the Cost of Owning Business Equipment,” and return with some options that might make a difference in Maine.

Thank you for your consideration.



Maine Grocers &  
Food Producers  
Association  
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Augusta, ME 04332  
207.622.4461  
info@mgfpa.org

February 27, 2020

Committee On Government Oversight  
Cross Building, Room 220  
82 State House Station  
Augusta, ME 04333

Senator Chenette - Chair, Representative Mastraccio – Chair, and Members of the Committee On Government Oversight,

Below please find the Maine Grocers & Food Producers Association's comments on the Business Equipment Tax Reimbursement (BETR) & Business Equipment Tax Exemption (BETE) 2020 Final Report. The Maine Grocers & Food Producers Association is a business trade association representing Maine's food community; Main Street businesses, including independently owned and operated grocery stores and supermarkets, food and beverage producers and processors, manufacturers, wholesalers, distributors, and supportive service companies.

Maine's Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) are State programs with the specified goals: 'To reduce the cost of owning business property in Maine, particularly in comparison to other relevant states and countries' and 'To encourage growth of capital investment by businesses in Maine'.

To our understanding, the most recent information of participating BETR businesses is the list, 'BUSINESS EQUIPMENT TAX REIMBURSEMENT, 2017 Application Year for Property Taxes Paid in Calendar Year 2016' available as part of the 2019 Tax Expenditure Report. If the 2017 and 2018 reports were available that information could have been used in relation to the report and our comments. For FY18, the State distributed BETR reimbursements totaling \$29.1 million to 1,396 businesses statewide.

MGFPA members, prominent Maine businesses, both retail grocery store chains and manufacturer, food producers are recipients of the tax reimbursements. These businesses have made substantial financial investments to operate here *and* infrastructure and operational investments to remain in business in Maine. Equipment investments including costly refrigeration storage systems, cold storage warehouses, and refrigerated food processing equipment. Continued financial commitments via tax reimbursements are critical to their success and play a large factor in their decisions to upgrade to efficient equipment and grow their businesses.

The Maine Department of Labor's data demonstrates that as of 2018, the state of Maine had more than 250 food manufacturers including those milling grains, sugar and confectionary manufacturing, fruit and vegetable preserving, dairy, animal slaughtering and processing, seafood preparation and packaging, bakeries and tortilla manufacturing, sauces, snacks, coffee and tea and other perishable and nonperishable foods. In total, generating more than 5,500 jobs and \$209 million in total wages, specifically in food manufacturing. In addition, in 2018 Maine was home to 97 beverage manufacturers which provide \$98 million in total wages to

the state and more than 1,900 jobs. The state of Maine also employs more than 15,000 people, generating \$369 million in total wages within the “Supermarkets and other grocery stores” sector.<sup>1</sup>

As noted within the Report’s Executive Summary, “The impacts of BETR on a municipality are minor because businesses are reimbursed directly by the state.” We continue to advocate for these dollars to help off-set the costly expenditures our state’s top employers. We ask that these programs remain stable so that businesses can continue to rely on them for consistent planning purposes.

In Governor Mills’ 10-year Economic Development Strategy, ‘Food’ was identified as one of the four “thematic areas” “in which Maine has current strengths, there is growing global demand, and there is a potential for job creation.” Stated in the report, “From aquaculture to traditional seafood harvesting to value-added food production, growth is anticipated in these food industries and Maine can benefit greatly by growing our capacity to meet these markets.” As demonstrated by the list of participating businesses, the BETR program positions these companies well for future growth via the financial benefit of the tax reimbursements.

Thank you,



Christine Cummings  
Executive Director  
207-622-4461

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<sup>1</sup> 97% of data. Industry Employment and Wages: Data is derived from the Quarterly Census of Employment and Wages (QCEW) program. QCEW is a federal-state cooperative program that collects employment and wage information for workers covered by State unemployment insurance (UI) laws and for Federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program. Data includes wage, employment, address and coding information for individual establishments.



Maine Municipal  
Association

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Comments of the Maine Municipal Association  
Office of Program Evaluation and Government Accountability  
BETR/BETE Report

February 28, 2020

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Senator Chenette, Representative Mastraccio and members of the Government Oversight Committee. My name is Kate Dufour and I am submitting comments on behalf of the Maine Municipal Association (MMA) regarding the Office of Program Evaluation and Government Accountability's (OPEGA) February 2020 BETR/BETE report.

MMA would like to thank OPEGA staff for reaching out to the Association and for including several municipal assessors in the process of evaluating the effectiveness of these two personal property tax programs and commend staff for preparing a straightforward and informative overview of the BETR and BETE programs.

The Association also wants to underscore two of the report's findings.

First, the description of municipal advertising and outreach efforts found on page six of the report provides an excellent description of the level of customer service routinely delivered by municipal officials. This accurately describes what Maine residents and property owners can expect from assessors, clerks, tax collectors, managers, code enforcement officers and other community officials and volunteers.

Second, the finding on page 21 of the report stating that municipalities are inadequately compensated for BETE-related administrative activities is of great importance to municipal leaders. This finding highlights the fact that when the Association - at the direction of its members - testifies that changes in state law will increase municipal expenses, it is not an exaggeration. The assessment and determination of costs is taken seriously, as MMA has no intention of eroding the effectiveness of the mandate provision in the Maine Constitution.

Finally, since the publication of the report we have heard from our members that there is movement afoot to repeal the BETE program.

Although we urge the committee to examine program-related administrative burdens and municipal reimbursement issues closely, the Association does not support repealing this program. In many communities, BETE has improved the municipal/business relationship. Because of the exemption business owners are more willing to share information, which enables municipalities to receive state reimbursement for at least 50% of the lost revenue.

Thank you for this opportunity to comment. Please do not hesitate to contact me at [kdufour@memun.org](mailto:kdufour@memun.org) if you need additional information.

Good Morning Sen. Chenette, Rep. Mastraccio and Members of the Government Oversight Committee (GOC). My name is Linda Caprara. I am a resident of Winthrop and represent the Maine State Chamber of Commerce. I am here to offers comments in opposition to the report on the Business Equipment Tax Reimbursement Program (BETR) and the Business Equipment Tax Exemption (BETE) report by the Office of Program Evaluation and Government Accountability (OPEGA). I first would like to say that we think that the report does not accurately characterize the importance of the BETR/BETE programs to Maine.

Many behind me will testify to the importance of the BETR and BETE programs. I however, would like to take this opportunity to talk about the history of both of these programs and how we got to where we are today. I think its important that this committee understands why the Legislature did what it did to enact both these programs which are perhaps two of the most significant public policy initiatives Maine has ever enacted to promote investment, job retention and position Maine to compete globally.

Prior to the enactment of BETR, the legislature had been talking about addressing the issue of personal property tax and its effect on investment in this state and Maine's inability to compete for years. Most of the states in the northeast United States that Maine competed with for investment did not tax personal property or had exemptions in place. In addition, there were several studies in the early 1990's which concluded that personal property tax was a huge impediment to attracting business investment and proposed the elimination of the personal property tax on business equipment. In 1995, then Governor Angus King made it a priority as Governor to eliminate this tax. After lengthy discussions with business, legislative and municipal representatives, the Legislature finally enacted the BETR program in 1995. BETR became an annual appropriation thereafter and because of that made it a target every year for groups that wanted it cut to fund other state programs. However, at the time, the legislature knew BETR was a temporary fix and that pursuing an exemption was the final goal.

In years following BETR, again, there were lengthy discussions involving the above parties on the final elimination and what that might look like. While an outright exemption was favored, there was concern over potential lost property tax revenues to the municipalities. Finally during the Baldacci Administration, BETE was determined to be the best solution. BETR would be left in place for property placed in service after April 1, 1995, BETE would begin for property placed in service after April 1, 2007 so as BETR would ramp down, BETE would ramp up. One of the thoughts behind BETE at the time was that Large Industrial Municipalities would be better off under BETE because without BETE most of the significant investments would have most likely fallen under a TIF anyway. Under TIFs, municipalities generally retained 40% or less of the property taxes net of TIF payments. BETE guaranteed the municipalities 50% reimbursement with additional funding for high personal property value towns. All of the above interested parties were involved in the negotiations and ultimately agreed this was the best path forward.

Since the enactment of both programs, Maine has realized hundreds of millions of dollars of investment in this state, helped retain thousands of Maine jobs, and grow Maine's economy through the direct and indirect benefits resulting from both the BETR and BETE programs.

I hope this helps to understand the history of how these programs were enacted. In conclusion, I just want to say that the enactment of these programs did not happen overnight and that all of the issues were thoroughly and thoughtfully vetted to arrive at the best solution for all.



# Manufacturers Association of Maine

February 27, 2020

Testimony in Support of the BETR and BETE programs  
Manufacturers Association of Maine  
February 28, 2020

Senator Chenette, Representative Mastraccio, and members of the Joint Standing Committee on Government Oversight, On behalf of the 400 members of the Manufacturers Association of Maine, we are writing today to provide testimony in support of the BETR and BETE programs.

The Manufacturers Association of Maine is a statewide industry association representing hundreds of companies and people making products, part and components for sectors worldwide. Manufacturing in Maine employs 50,600 people making an average of \$58,100 (MDOL, Economic Impact data, 2018).

The multiplier effect of manufacturing is supported by data indicating every dollar of domestic manufacturing valued-added destined for the manufactured goods for final demand, \$3.69 of value-added is generated elsewhere.

Maine Manufacturers operate in a highly competitive environment. Countries around the world offer significant incentives to companies to attract investment.

Manufacturers recognize the positive economic spillover effects that manufacturing has on the local ecosystem. In addition at least 39 states across the country also offer some form of property tax incentives to attract and retain investment in this sector, with Maine being in the "top five highest tax cost states, expressed in terms of total effective tax rate for mature capital intensive manufacturing operations." (Source: Tax Foundation)

For many of our capital intensive manufacturing members, keeping operating costs stable and competitive is critical to our ability to succeed. Successful manufacturers need to know how to run complex processes and expensive tools for precision and efficiency. BETR and BETE are programs that help keep Maine in the game.

---

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*"The Manufacturers Association of Maine is dedicated to promoting and growing manufacturing."*

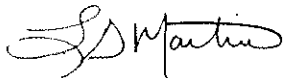
These hard asset investments sustain our competitiveness and Maine's manufacturing workforce. We represent approximately 28,000 highly skilled workers who are proud Mainers, many with 25 plus years working in Maine's manufacturing sector.

BETR and even more so, BETE, are important to the overall cost structure of our manufacturing members who, in order to compete, must reduce costs year on year, every year. Any proposal to eliminate these programs immediately makes them less competitive. Many of our members have to compete globally with their worldwide sister factories and capital dollars go where production can be done at highest quality and lowest cost. In a climate where we are competing on workforce and high energy costs, the rebate and property tax exemption on business equipment are a piece of our low cost producer success. Continuity of these programs is critical. It's consistent investment in equipment that sustains a skilled manufacturing workforce in Maine.

This is not the time to discourage investment by adding more costs. BETR and BETE level the playing field. Maine needs its manufacturing base for its workers, the money brought into the state, and the innovative products that put it on the map.

We recognize the need for oversight of these programs but would argue that the conclusions of the report do not accurately reflect the position on capital investment. We would encourage you not to penalize the manufacturers that have invested heavily in Maine by making any changes to these programs. Over the long term, reduced investments in machinery and equipment will mean fewer manufacturing related jobs for Maine.

Thank you for allowing us to submit testimony today.



Lisa G. Martin  
Executive Director  
Manufacturers Association of Maine

---

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*"The Manufacturers Association of Maine is dedicated to promoting and growing manufacturing."*



# MARCUM

ACCOUNTANTS ▲ ADVISORS

The Honorable Walter Riseman  
PO Box 543  
Harrison, ME 04040

Dear Representative:

If a personal or business income tax return is filed, and later found to be inaccurate or incomplete, the taxpayer or the state has the right to amend the return so that the correct income tax is paid.

If a business files a personal property tax declaration that is not correct and later it is found to be inaccurate, it does not have the ability to file an amended declaration. It can apply for an abatement from the town but this is left to the discretion of the town.

This creates a problem with the Maine BETE and BETR programs. In 2018 the state expanded and clarified what businesses and equipment were eligible to file for the BETE. When the BETR form 800 is filed with the state, the state will reject an application that contains equipment from 2018 that should have originally been submitted in a BETE. The business loses the reimbursement, and has limited recourse with its municipality. And by the time they get the notice from the state that the 2018 assets are not eligible for the BETR for 2018, it has already filed the declaration with the town for its 2019 assets. This means that it will have to pay the tax on the 2019 assets and not receive a reimbursement from the state.

This was brought to our attention when Shawnee Peak asked us for help with its 2019 property tax reimbursement filing. The 2018 declaration was filed with the town the same as it had been done in previous years. No one at the town or the regional assessor's office notified the owner that some of the equipment might be eligible for the exemption after the change in the law. Shawnee Peak likely received the notice from the state about the change in February 2018, a very busy time for a ski mountain. Shawnee Peak paid the tax on its personal property. When the BETR was filed in 2019, over \$11,000 in reimbursements were disallowed for 2018 taxes paid in 2018. Without a change to the law, it will be disallowed again for \$11,000 for the 2018 property taxes paid in 2019, \$11,000 for the 2019 taxes paid in 2019, and \$11,000 for the 2019 taxes paid in 2020. That is \$44,000 that the business should not have paid in taxes. I doubt that Shawnee Peak is the only business caught in this situation.

This needs to be fixed. I would suggest allowing a business to file an amend the property tax declaration and BETE back to 2018 or for 3 years after the original due date for later years. Also allowing the towns to receive the reimbursement that they would be entitled to from the state for the equipment that is placed in the BETE program after the due date.

As a long term solution, the BETE and BETR should be simplified and changed to be part of the normal tax return filing process similar to what was done with the Property Tax Fairness Credit on the form 1040 ME several years ago. That program started as a separate filing requirement.

Thank you for your attention to this matter. If you have any question or would like to discuss it further, please do not hesitate to contact me.

Yours truly,

*Craig M. Pike*

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**Public Comment of ND Paper before the  
Joint Standing Committee on Government Oversight  
Regarding  
The Business Equipment Tax Exemption and Business Equipment Tax Reimbursement  
Program  
February 28, 2020**

Senator Chenette, Representative Mastraccio, and members of the Joint Standing Committee on Government Oversight. My name is Brian Boland and I am the Vice President of Government Affairs and Corporate Initiatives for ND Paper. I am here today to present testimony on behalf of ND Paper, the company that purchased and is investing in the Rumford pulp and paper mill, as well as the company that purchased the idled mill in Old Town and has made significant investments in order to restart that mill after it sat idle for more than three years. By way of context, ND Paper is the wholly-owned subsidiary of Nine Dragons Paper (Holdings), the third-largest paper producer in the world by capacity and operator of 10 Asian-based paper mills, in addition to its US holdings. ND Paper also operates mills in Wisconsin and West Virginia. Our mills in Maine compete for capital investment with our other mills in Wisconsin and West Virginia, as well as our parent company sites in Asia.

ND Paper provides public comment today on the importance of the Business Equipment Tax Exemption and the Business Equipment Tax Reimbursement Programs to our Maine mills.

**The Rumford and Old Town Mills - Bringing centuries-old mills into a cleaner and greener future**

There was a time when the Maine paper industry was the largest in the country, and one of the largest in the world. At one time, nearly twenty pulp and paper mills operated in Maine, from Madawaska to Westbrook and Woodland to Rumford. As two of these operating mills, the Rumford and Old Town facilities manufactured their pulp and paper products for decades, providing a direct livelihood for thousands of Maine working families and serving as economic engines in their regions.

Over time, however, the industry struggled, mills merged, sold, or closed altogether. Where Maine once had twenty, now it has seven. Rumford went through a series of corporate owners, sometimes as a flagship mill, but more often as a plant struggling to attract capital. The Old Town mill had nearly as many name changes under different ownership structures and eventually became a part

of a multi-mill system, until in October 2015, the then-owner announced the idling of the plant and layoff of its workers. During these same years, Rumford was facing similar challenges to secure sufficient capital to improve its competitiveness, as its then-owner declared chapter 11 bankruptcy.

In 2018, ND Paper purchased the Rumford mill, making it one of the centerpieces of the company. Shortly afterward, ND Paper acquired the Old Town mill and with a substantial, multi-million-dollar investment, reconfigured the operation and is implementing plans for sustainable and stable operations.

ND Paper's economic footprint in Maine provides a substantial positive economic impact for the entire state:

- Direct employment of about 780 hourly and salaried workers with a payroll, including benefits, of approximately \$100 million annually
- Further indirect and induced job creation equivalent to 2,496 and 1,529 estimated positions, respectively; indirect jobs are those created in the supply chain, while induced jobs are created as a result of mill employee and vendor employee spending.\*
- Each year, the Rumford Mill spends approximately \$200 million directly in the state of Maine for materials procurement, payroll, and taxes. The Old Town mill will spend an additional \$70 million when at full operation. In total, this equals \$270 million of direct spend into the Maine economy annually.

**The BETE and BETR programs are important to the success of the Rumford and Old Town mills**

When Nine Dragons reviewed the financials of the Rumford mill prior to its acquisition, the benefits of BETR and BETE were included in the analysis that supported the purchase price and estimated future returns of the mill. ND Paper is committed to ensuring that Rumford will be a first quartile mill in terms of operating cost, with continued investment to support a one hundred year vision of the mill providing for its workforce and communities. Going forward, BETE helps ensure that such investments can be made with adequate returns that justify continued corporate investment.

Turning to the Old Town mill, ND Paper faced an even tougher challenge. The mill had failed under different ownership structures and our conclusion was that it would not be able to sustainably compete without a different approach to capital investment and mill operations. Support from the State, including the existence of BETE, was critical in helping ND Paper assemble a plan to restructure the mill's operations. Frankly, even with this assistance, it has been a struggle, as even more equipment has needed repair and replacement than was first anticipated. When ND Paper analyzed the Old Town mill, looking at the investments necessary to bring the mill back to full operation, it did so on the assumption that BETR and especially BETE would continue to be available.

ND Paper is proud to be a part of the papermaking heritage in Maine. Our corporate leadership has adopted a one hundred year vision for both of our Maine mills, and we ask that the State of Maine continue to support us as we work to realize that vision.

Thank you for the opportunity to share our views on these programs.

*\*ND Paper is using conversion factor assumptions of 3.20 indirect-to-direct jobs and 1.96 induced-to-direct jobs based on a 2018 IMPLAN study for the Old Town Mill.*

## Connors, Etta

---

**From:** Samuel Mangino <samm@pembertonsgourmetfoods.com>  
**Sent:** Thursday, February 27, 2020 6:41 PM  
**To:** Chenette, Justin; Mastraccio, Anne-Marie; Hamper, James; Pierce, Teresa; Arata, Amy; Keim, Lisa; Libby, Nathan; Millett, Sawin; Timberlake, Jeffrey; Dillingham, Kathleen; Sanborn, Linda; Harnett, Thomas  
**Cc:** Connors, Etta; 'Gary (glr5115@aol.com)'; 'Pete Ventre (pete@carrotseed.biz)'  
**Subject:** Testimony for Kitchen Partners of Maine LLC D/B/A Pemberton's Gourmet Foods - MSL Government Oversight Committee Public Hearing on BETE/BETR tax reimbursement - Friday February 28th, 2020 @ 9AM

**Importance:** High

This message originates from outside the Maine Legislature.

Good afternoon MSL Government Oversight Committee,

My name is Sam Mangino, President & Managing Partner of Pemberton's Gourmet Foods. I'm writing to you today as a concerned business owner of a specialty foods company in Gray, Maine called Pemberton's Gourmet Foods. My partners and I purchased the 20 year old specialty foods company on June 28<sup>th</sup>, 2018. We had to make some significant investments in upgrades which included heavy automation equipment. We value the improvements and investments in equipment upgrades as it keeps good employees happy, makes their work easier and less stressful - manufacturing work can be very repetitious and helps lesson the physical condition of the job and without recurring workplace injuries. I'm asking you today as the leader of Kitchen Partners of Maine LLC not to even think about taking away the BETE/BETR tax reimbursement for companies who continue to invest in growth and prosperity, maintain good employees and the conditions they work in each and every day. This allows the company a tax reimbursement an investment in our future here in Gray, Maine. Our state government in the past 16 months is overseeing so much of what the private business sector is doing and as a state government we need to continue to invest in manufacturing jobs here in Maine. We have seen what has happened in the past few weeks with Green Giant in Biddeford losing hundreds of jobs, Wayfair, LL Bean and now EVO in Portland and that is just a few of the jobs. I'm asking each of you on the committee to step up as a government, a team and start investing in the Maine economy. Show you are willing to make the necessary investments in the private sector to keep Maine people working. We have worked way too hard in the state to make jobs and we need to keep them here in Maine. This is why organizations such as Focus Maine, Maine Center for Entrepreneurs, MTI, CEI and the Maine Department of Economic Development are helping companies like Pemberton's Gourmet Foods. To keep our great state working!

Please do not let the sun set on BETE/BETR! Please let this be my confirmed testimony as valued proof. Thank you for my consideration and good night. God Bless all of you. Sam Mangino

Kindest Regards,

Sam Mangino  
President & Managing Partner

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D/B/A Pemberton's Gourmet Foods  
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February 28, 2020

The Honorable Justin Chenette  
The Honorable Anne-Marie Mastraccio  
Committee on Government Oversight  
Maine Legislature  
c/o Office of Fiscal and Program Review  
82 State House Station  
Augusta, ME 04330

Dear Senator Chenette and Rep. Mastraccio:

My name is Dana Doran and I am the Executive Director of the Professional Logging Contractors of Maine. The Professional Logging Contractors of Maine (PLC) is a trade association that represents logging and trucking contractors throughout the state of Maine. The PLC was formed in 1995 to give independent contractors a voice in a rapidly changing forest industry.

As of 2018, logging and trucking contractors in Maine employed over 4,900 people directly and were indirectly responsible for the creation of an additional 3,300 jobs. This employment and the investments that contractors make contributed \$900 million into the state's economy. Our membership employs over half of the individuals who work in this industry and is also responsible for about 75% of Maine's annual timber harvest.

Thank you for providing me with the opportunity to provide comments on behalf of our membership regarding the Office of Program Evaluation and Government Accountability's February 2020 report on the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption Programs. Our membership greatly values the BETR/BETE programs and while we don't disagree with any of the general recommendations of the report, we also don't want to see any fundamental changes to the programs in the future that will have a detrimental impact to our industry.

As you are aware, the forest products industry in Maine is in the midst of a reinvention process. In the past six years, Maine experienced the closure of five pulp and paper mills and two wood energy facilities in Aroostook County. As a result, Maine lost 50 percent of its softwood pulp market and a four-million-ton reduction of biomass market share. Between 2014 and 2016, the total economic impact of the forest products industry fell from \$9.8 billion to \$8.5 billion, and more than 5,000 jobs were lost.

### Forest Products Industry

	2011	2014	2016
Total Economic Impact	\$8.5 billion	\$9.8 billion	\$8.5 billion
Total Jobs	38,789	38,956	33,538

In the spring of 2016, members of Maine's Congressional delegation convened a working group of the forest products industry, affected communities, and other stakeholders to develop shared strategies to strengthen and diversify Maine's forest industry and rural economies. Together, this group, which is now called the Forest Opportunity Roadmap for Maine (FOR Maine), has prioritized a path forward to achieve prosperity for the state.

Goal 1 of the FOR Maine effort is to sustain and grow the forest products economy from \$8.5 billion to \$12.5 billion by 2025. Strategy 1D within goal 1 is to "Improve the attractiveness of Maine for new capital investment in the forest products industry". Maine has consistently ranked low in ease of doing business compared to other states. We need to make the state more attractive for investment by making our regulatory environment more predictable for investors.

I am proud to report that the comeback of the forest products value chain is in full swing. Over the last year and a half, we have seen the investment of over \$1 billion in capital acquisitions, enhancements and expansions from pulp and paper, sawmills and new facilities that will make insulation out of wood. New projects are also on the horizon, including cross laminated timber manufacturing and potentially the creation of fuel out of wood fiber. This is good news, but it could be put at risk if there are sweeping changes made to BETR/BETE.

The market's thirst for wood has also led to the transformation of the logging industry from conventional to mechanized, which has increased throughput as well as safety. This would not have happened if mills did not require production as a result of their own investment and market demands.

However, the positives have not come without a price for the logging community. Mechanization is expensive, both from capital investment as well as operations. Add to this the constant pressure from markets, landowners, mills, weather, road conditions, and increased operating costs and you can see why loggers are less profitable as a result. Loggers cannot cut more wood to make more money without adding significant cost. Loggers are feeling taxed and a majority of our membership are questioning what their future entails if these pressures continue.

Maine is also facing a shortage of loggers and log truckers that will only grow as new markets are announced. In March 2019, an employment availability and wage analysis prepared by the Maine Center for Business and Economic Research at the University of Southern Maine determined that the logging industry will need to hire 1,000 workers in 2019-2020 and will need to replace another 2,000 workers over the next 10 years because of looming retirements.



Our member companies rely heavily upon the BETR/BETE program and without it, or if the value was reduced, this could hinder the growth of our industry and our ability to compete for new workers.

To substantiate the need for BETR/BETE, we surveyed our membership and asked them two questions: 1) how many companies use the program and 2) how important it is to their overall profitability. Seventy four percent of those who responded to our survey stated they currently use the program. Of the remaining twenty six percent, most declared they didn't know they were eligible but felt they needed to look into it. Further, we asked them a second question as to the importance of BETR/BETE to the success/failure of their businesses. Surprisingly, seventy nine percent of those who responded stated emphatically that BETR/BETE is critical to the success/failure of their companies.

Here are some very powerful statements made our membership on BETR/BET:

“BETE was a big help when buying our new processor and forwarder. Mill rates are so high that it made it possible to purchase these pieces of equipment.”

“Logging has so many negative variables going against it such as weather, wood pricing, mud season, lack of good employees, wage increases, high cost of insurance and the high cost of equipment. Anything to help loggers is very helpful to make ends meet and every dollar helps. Unlike other companies, we cannot set our pricing and what we are paid does not meet the costs to run the company.”

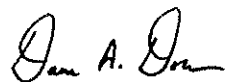
“With this program, there is no variance of tax rates one town to another. Everyone is treated the same, the way it is supposed to be.”

Lastly, I want to refer to a statement that was made in the OPEGA report on page 17, “Neither BETR nor BETE have design elements that specifically encourage growth of capital investments in Maine, other than reducing the overall cost through the programs' reimbursement or exemption.....A minority of BETR participants see a cost reduction substantial enough to likely encourage a business to make a capital investment they would not otherwise.” However, if you compare the shift from BETR to BETE, this statement by OPEGA is fundamentally flawed from our opinion.

On page 11 of the report, OPEGA states that, “Looking at the programs individually, from FY'09 through FY'18, BETE almost quadrupled; growing from about \$8.3 million to approximately \$35.5 million. Over the same period, BETR dropped by more than half, from a high of about \$66 million to a low of about \$29.2 million.” I would counter that this happened because businesses are investing in new capital equipment, purchased after 2007, as a result of the influence of BETE. They recognized the same thing that OPEGA pointed on page 15, “BETE provides a greater benefit to businesses than BETR. The first advantage is that BETE's benefit is a tax exemption as opposed to a reimbursement”. These programs are having an important impact, they are driving capital investment and they are helping Maine loggers remain profitable, albeit close to non-profit, which is a very important thing in Maine's forest products economy.

Rural Maine is struggling right now to keep and retain its population and also to support its economy. BETR and BETE are critical to Maine loggers and the rural Maine way of life. Please consider this as you review this report and ensure the programs remain stable for the future.

Sincerely,

A handwritten signature in black ink that reads "Dana A. Doran". The signature is written in a cursive style with a large, looped initial "D".

Dana Doran  
Executive Director



**RETAIL**  
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February 27, 2020

Senator Justin Chenette, Chair  
Representative Anne-Marie Mastraccio, Chair  
Members of the Government Oversight Committee

**RE: Comments regarding the BETR/BETE Tax Expenditure Review Report, February 2020**

Dear Senator Chenette, Representative Mastraccio and members of the Government Oversight Committee:

My name is Curtis Picard and I am the President and CEO of the Retail Association of Maine. I am a resident of Topsham. We have more than 350 members statewide and represent retailers of all sizes. Maine's retailers employ more than 85,000 Mainers.

Thank you for the opportunity to provide comments on the recent OPEGA report regarding the BETR/BETE programs. Small retail facilities (less than 100,000 square feet of retail space) are not eligible for BETE.

Under BETR, businesses may receive reimbursement from the State for a percentage of taxes assessed and paid on eligible property. Since 2006, the standard reimbursement percentages have been:

- For years 1 through 12 of BETR reimbursement, 100%
- For year 13, 75%
- For year 14, 70%
- For year 15, 65%
- For year 16, 60%
- For year 17, 55%
- For year 18 and beyond the life of the asset, 50%

The OPEGA report concludes that the BETR and BETE programs accomplish their shared goal of reducing the costs of owning business property in the state. While that is important, the report does not fully explain that the investments that retailers make (like point-of-sale systems, or refrigeration systems for grocery stores) are significant capital investments that will benefit the businesses for multiple years. These investments were made with the commitment from the state that these investments would be

eligible for the BETR program for multiple years. Therefore, we respectfully disagree with the OPEGA conclusion that the programs' impact on capital investment is marginal.

The most recent list of companies participating in the BETR program is from 2017:

[https://www.maine.gov/revenue/research/betr\\_2017.pdf](https://www.maine.gov/revenue/research/betr_2017.pdf)

We would urge the committee to review the list of companies and think about the investments that these major employers make in Maine. Some of the largest Maine retailers like Hannaford, and LL Bean make significant investments in Maine and the BETR program is an important component in staying competitive on a regional and global basis.

We have heard from our members that the paperwork involved in participating in the BETR program is significant, but they continue to do it because the program is of value to them.

BETR is not a one-time program. These business investments are made for the long-term stability and growth of the retailer. They made the decision to make these investments with the expectation that Maine's program would honor the commitment of those investments. Reducing or eliminating BETR or BETE would be a significant mistake.

Thank you for the opportunity to share our thoughts.

Sincerely,

Curtis Picard, CAE, President and CEO

Testimony of Paul Fearon, Finance and Operations Manager  
Texas Instruments, South Portland, Maine  
February 28, 2020

Senator Chenette, Representative Mastraccio, and members of the Joint Standing Committee on Government Oversight, my name is Paul Fearon, and I am the Finance and Operations Manager for Texas Instruments in South Portland. I am writing today to provide testimony in support of the BETR and BETE programs.

Texas Instruments acquired National Semiconductor in September of 2011, and over the last eight years TI has continued to invest in the capital equipment required to manufacture semiconductors at the South Portland facility. We engineer, manufacture, test and sell analog and embedded semiconductor chips. From connected cars to intelligent homes; from self-monitoring health devices to automated factories, our technologies add intelligence to electronic systems – making them safer, smarter, more connected and more efficient.

Designing, manufacturing and selling semiconductors is a global and highly competitive business. Countries around the world offer significant incentives to global semiconductor companies to attract investment. They recognize the positive economic spillover effects that semiconductor production has on the local ecosystem. In addition, states across the country also offer incentives to attract and retain investment in this sector.

Semiconductor manufacturing is a capital-intensive business. Keeping operating costs stable and competitive is critical to our ability to succeed. Successful manufacturers need to know how to run complex processes and expensive tools for precision and efficiency. BETR and BETE are programs that help keep Maine a viable option for such investments.

Since beginning production in 1997, National Semiconductor invested consistently in machinery and equipment in the South Portland facility. Beginning with their initial \$158 million investment in tools, NSM and now TI have added or upgraded equipment at the facility ever since – a cumulative investment of almost \$800 million in equipment to date. Texas Instruments continues investing. Since acquisition we have invested more than \$80M and continue to request more capital equipment upgrades every year.

These hard asset investments sustain Texas Instrument's competitiveness and Maine's manufacturing workforce. Employment at MaineFAB, as we call it, has remained consistent. We have highly skilled hi-tech workers who are proud Mainers, many with 25 plus years working in Maine's semiconductor industry. Long standing relationships with the University of Maine, University of Southern Maine and Southern Maine Community College have produced great TI engineers, technicians and manufacturing specialists who all have a great

reputation in the industry. Texas Instruments continues to explore ways of further deepening those relationships.

Consumers of electronics demand faster, more powerful and cheaper products year after year. That's how we win. BETR and even more so, BETE, are integral to our efforts to maintain a competitive cost structure.

Texas Instruments benchmarks all its worldwide factories continually. Capital investment dollars go where chips can be produced with highest quality and lowest cost. BETR and BETE level the playing field. Maine needs its manufacturing base for its workers, the money brought into the state, and the innovative products that put it on the map.

I recognize the need for oversight of these programs but I would argue that the conclusions of the report do not reflect the position on capital investment. Over the long term, reduced investments in machinery and equipment will mean fewer science and technology related jobs in hi-tech for Maine.

Thank you for allowing me to submit testimony today.

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Texas Instruments Incorporated (TI) is a global semiconductor design and manufacturing company that develops analog ICs and embedded processors. By employing the world's brightest minds, TI creates innovations that shape the future of technology. TI is helping more than 100,000 customers transform the future, today. Learn more at [www.ti.com](http://www.ti.com).

# TOWN OF WASHBURN

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February 27, 2020

To whom it may concern:

I am writing this letter in regards to the study that was done on BETR and BETE by the OPEGA group. For the small Town of Washburn, I can say that since the BETE program has been implemented, there has been an increase in new equipment purchased and put into place. Our town is mainly a farming community and over the past 30 years I personally have seen many small farms list very little in the way of personal property. And understandably so. They already pay huge amounts in property taxes, when personal property taxes are thrown in the mix, they are not that forthcoming with their lists of equipment. In the study that was done by OPEGA, one of the comments made was :

*"Based on their work with business owners in their communities, some assessors and town managers believe that the tax breaks have no effect at all regarding whether a business buys new equipment."*

I have to say, that for the Town of Washburn I disagree. Since BETE, we now have full listings of their equipment and even though the Municipalities are receiving a 50% reimbursement it is more that we were originally getting. Now farmers have the incentive to buy that new large piece of machinery for the field or newer, more modern equipment for the potato house, etc., and they are doing just that.

BETE is extremely easy for the business owner to submit their lists, get the exemption and be done with it. With BETR, they pay the tax up front and then file the sometimes, cumbersome paperwork for the reimbursement. Some do not even make the attempt. BETE is a much simpler solution and for the Town of Washburn, both parties are happy. The only way it could be improved would be to fully fund it to the municipalities which in turn would help the general welfare of the entire State.

With the Penobscot McCrum Potato Processing Facility coming to the Town of Washburn, it is crucial that the BETE and BETR programs stay in place. Something of this magnitude could be very detrimental on a new venture such as this one. Our town is so very fortunate for them to be making this investment in our community and myself and the entire town hope that they will be there for a very long time.

I firmly agree with this statement in the study:

*"If property tax on business equipment represents a disincentive to capital investment, then the designs of BETR and BETE effectively overcome this disincentive by essentially removing the tax."*

Please continue to keep the BETE and BETR programs in place.

Sincerely,

*Donna Turner*

Washburn Town Manager



Good Morning,

Thank you for giving me the opportunity to speak. Knowing that your time is valuable I will attempt to keep this brief.

My name is Doug Hellstrom and I am the CFO for Volk Packaging Corporation in Biddeford. We are a third-generation family owned Maine business that was established in 1969. We currently provide packaging products and solutions to both retailers and wholesalers throughout New England.

Many Maine small businesses face an uphill battle relative to other companies within the geographical borders of New England. I know that only speaking for Volk Packaging, we face many challenges to grow and penetrate other markets outside of Maine due to our geographical location and proximity to other markets. This potential for growth is further reduced by the many businesses that continue to leave this great state in search of better opportunities and financing incentives.

The attached Evaluation of BETR & BETE addresses the two-part goals of the program;

The first goal of "reducing the cost of owning business property in Maine", is numerically objective and is supported by the evaluation's findings that in FY18 the state's funding significantly reduced the personal property taxes on eligible equipment.

The second goal is much more subjective. Do "the programs meet their other shared goal of encouraging the growth of capital investment in Maine"? This is certainly a much more subjective question and as such requires a much more detailed examination. Although the attached evaluation does a good job of analyzing the distribution of the funds, it is but one component in a very complex array of factors. As the study pointed out, "The average BETR benefit for the remaining 92% of recipients was \$5,611". However, if the company's annual capital expenditures were \$50,000, this would represent 10% savings for the year. Certainly, this would provide an incentive for a business to invest in needed equipment.

As Volk Packaging looks beyond 2019, we face tremendous pressure to keep up and stay competitive. To do this we must modernize our equipment and increase our workforce to run this new equipment. The added benefit of BETR/BETE makes these decisions easier. Just last year we hired over ten people in well-paying jobs amounting to over \$500,000 in payroll costs to help run our new equipment. Most of these people live in Biddeford and own homes. Although the town of Biddeford may have lost some revenue due to the BETE program, it more than made up for it in economic growth.

Like any program, there are questions regarding its effectiveness, but we owe it to ourselves to perform our due diligence before making any changes.

Thank you for your time.

Doug Hellstrom, CFO

Volk Packaging Corporation



## AT A GLANCE

# OPEGA Evaluation of BETR & BETE – Programs Lower the Cost of Owning Business Equipment but May Have Limited Influence on Capital Investment Decisions



### About BETR and BETE

Maine's Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) are State programs that reduce or eliminate municipal property taxes on qualifying business equipment. Under BETR, the State directly reimburses businesses for property taxes paid to municipalities. Under BETE, the State instead exempts businesses from paying property taxes for qualified equipment. The State then compensates municipalities for a portion of the tax revenue they lost the opportunity to collect.

BETR and BETE are concurrently administered, primarily by Maine Revenue Services (MRS), but with a reliance on municipal assistance. The majority of business assets in Maine are eligible for one of the two programs. Eligibility depends on when the asset was put into service and which type of business owns it – determining eligibility can sometimes be challenging.

### Program outcomes are mixed in relation to goals

OPEGA finds that BETR and BETE accomplish their shared goal of reducing the cost of owning business property in the State. The programs do this by essentially eliminating property tax on qualifying equipment. In FY18, the State provided \$29.1 million in BETR reimbursements to businesses. In that year, businesses were exempt from paying \$58.5 million in personal property taxes on eligible equipment.

It is less clear whether the programs meet their other shared goal of encouraging the growth of capital investment in Maine. OPEGA finds that the programs' impact on capital investment is likely marginal, as evidenced by the fact that relatively few businesses receive financially significant benefits. In FY18, just 8% of all BETR-businesses received 75% of the total reimbursements distributed that year – with their average benefit being \$202,604. The average benefit for the remaining 92% was \$5,611. This average for all BETR assets claimed per business. Because property taxes are the basis for benefits under both programs, OPEGA assumes a similar distribution of benefits exists among BETE businesses. Given that personal property taxes are not reported to be a primary factor influencing the purchase of business equipment and the low-to-moderate amount of the benefit received by most businesses, BETR and BETE likely have a limited effect, if any, on capital investment decisions.

#### Programs' Intent:

To overcome the disincentive to growth of capital investment in Maine stemming from the high cost of owning business property, thereby promoting the general welfare of the people of the State of Maine

#### Programs' Goals:

To reduce the cost of owning business property in Maine, particularly in comparison to other relevant states and countries

To encourage growth of capital investment by businesses in Maine

#### Primary Intended Beneficiaries:

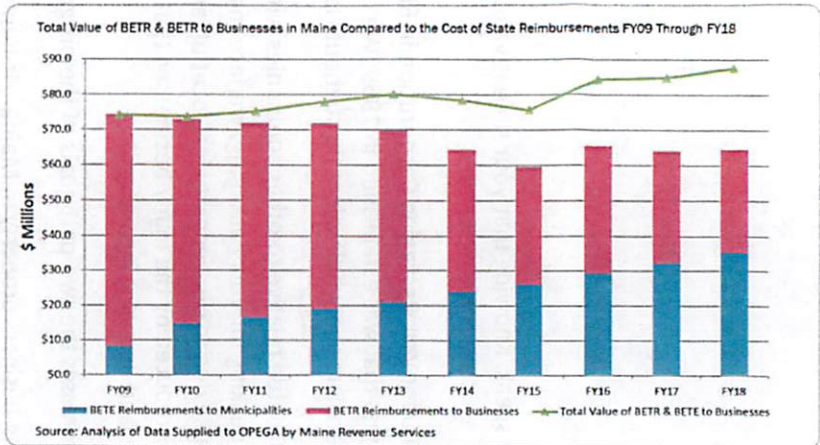
Businesses investing in qualifying property

#### Secondary Intended Beneficiaries:

The people of the State of Maine

### Total State costs have declined while total benefits to businesses have increased

Statutory shifts in program eligibility have driven the total value of benefits under BETE to increase while those under BETR have decreased. Despite the decrease, combined benefits provided under the programs have increased \$13.3 million between FY09 and FY18. Over the same period, state reimbursements for the programs combined have dropped by \$9.7 million. The State has been able to provide increased benefits to businesses at a lower cost because all of the increased benefits have been under BETE, and BETE benefits cost the State less to provide.



### BETE can have substantial impacts on municipalities

Because BETR and BETE are state programs embedded in a municipal function – taxation of personal property – municipal impacts are unavoidable. The impacts of BETR on a municipality are minor because businesses are reimbursed directly by the state. The impacts of BETE are more significant because BETE exempts businesses from paying personal property taxes on eligible assets in the first place – removing the municipality's authority to collect that potential revenue. The Constitution of Maine and some elements of BETE's statutory design, provide that municipalities are compensated for lost authority to collect revenue – although only partially. In total, in FY18, the State reimbursed municipalities for 61% of property taxes that could not be collected due to BETE.

Municipal administration mandated under BETE can also be labor-intensive and time-consuming. Since BETE's enactment, municipalities have been paid by the state at a rate of \$2 per application. OPEGA finds this rate to be inadequate to cover 90% of local costs as required by the Constitution of Maine.



Woodland Pulp LLC

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Testimony of James Oliver, Controller of Woodland Pulp LLC and St. Croix Tissue, Inc. on the OPEGA Report on the Review of BETR and BETE Programs to the Government Oversight Committee of the 129<sup>th</sup> Legislature.

February 28, 2020

Senator Chenette, Representative Mastraccio and members of the Government Oversight Committee:

My name is Jim Oliver. I am the Controller for Woodland Pulp and St. Croix Tissue, Inc. located in Baileyville, Maine.

Thank you for the opportunity to detail the importance of the Business Equipment Tax Reimbursement (BETR) and the Business Equipment Tax Exemption (BETE) programs to our companies.

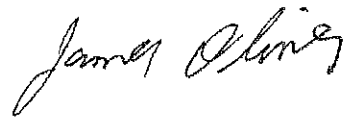
These two programs have been of vital importance to us and our owners that acquired the mill from Domtar nearly 10 years ago. Since 2010, significant new investments have been made to modernize our pulp mill, such as the conversion from oil to natural gas starting in 2011. Then in early 2014, our owners announced the formation of a new company, St. Croix Tissue, Inc. Today, we proudly produce over 300 tons of tissue products/day, employ 90 additional employees and generates a \$5,000,000 annual payroll in addition to the 320 employees and \$25,000,000 payroll of the Woodland Pulp mill.

The BETE and BETR programs being in place figured prominently in the decision making of our owners to invest in modernizing the pulp mill. These programs were also key in the decision to form the new tissue company as opposed to considering other locations out of state. These investments of over \$200,000,000 in the past few years have also provided Washington County a well needed boost to its economy.

On behalf of the 410 men and women of Woodland Pulp and St. Croix Tissue, we want you and the committee to know the continuation of these programs is important to us as we work to attract additional capital to support and ensure the long term viability of our operations.

Thank you again for the opportunity to express our support for the continuation of these important programs.

Sincerely,

A handwritten signature in cursive script that reads "James Oliver".

James Oliver

Controller

Woodland Pulp & St. Croix Tissue