

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

SECOND REGULAR SESSION-2000

Legislative Document

No. 2551

H.P. 1817

House of Representatives, February 7, 2000

**An Act to Implement the Recommendations of the Committee on
Sawmill Biomass.**

(AFTER DEADLINE)

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 205.

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in black ink that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative LaVERDIERE of Wilton.
Cosponsored by Senator CAREY of Kennebec and
Representatives: CROSS of Dover-Foxcroft, GOOLEY of Farmington, McGLOCKLIN of
Emden, O'NEAL of Limestone, SAVAGE of Buxton, Senators: MILLS of Somerset,
NUTTING of Androscoggin.

Be it enacted by the People of the State of Maine as follows:

2 Sec. 1. 36 MRSA §5219-S is enacted to read:

4 §5219-S. Credit for consumption of wood processing residue

6 1. Definitions. As used in this section, unless the
8 context otherwise indicates, the following terms have the
10 following meanings.

12 A. "Affiliated" means a common ownership greater than 10%
14 between one entity and another by means of financial
16 interest or legal control whether directly or indirectly
18 through one or more intermediaries or common owners.

20 B. "Authorized consumption" means use of wood processing
22 residue for:

24 (1) Combustion to generate electricity, industrial
26 heat or steam;

28 (2) Mulch for landscaping and soil amendment but not
30 for landfill;

32 (3) Composting of sewer sludge;

34 (4) Creation of medium density fiberboard, resin
36 adhesives or other building products; or

38 (5) Conversion to ethanol or other forms of fuel
40 derived from the residue.

42 "Authorized consumption" does not include a landfill deposit
44 and does not include conversion to electricity, industrial
46 heat or steam for a taxpayer's own use or for use by an
48 affiliated entity.

50 C. "Facility" means a business that is regularly engaged in
the authorized consumption of wood processing residue that
is transported to the business. "Facility" may include a
generator of electric power or steam, a distributor of
landscaping mulch, a sewerage treatment plant, a
manufacturer of building products derived from wood
processing residue, an ethanol producer or a plant that
produces residue-derived fuel.

D. "Wood processing residue" means bark and woody material
generated in this State by a taxpayer as a by-product from
the taxpayer's ordinary production of merchantable lumber,
secondary wood products or pulpwood chips. "Wood processing

2 residue" may include bark, sawdust, shavings and wood
3 chips. "Wood processing residue" does not include limbs,
4 tops and other slash material from logging operations, wood
5 chips harvested directly from whole trees or material with
6 an average moisture content greater than 55%.

7 2. Credit allowed. A taxpayer is allowed a credit against
8 the tax imposed in this Part to be computed as provided in this
9 subsection. For each ton of wood processing residue transported
10 and delivered to a facility for authorized consumption, the
11 credit equals:

<u>Distance from the point of</u>	<u>Dollars per ton</u>
<u>generation to the facility</u>	<u>of allowable</u>
	<u>credit</u>
<u>Under 30 miles</u>	<u>\$3</u>
<u>At least 30 miles but less than 50 miles</u>	<u>\$4</u>
<u>At least 50 miles but less than 70 miles</u>	<u>\$5</u>
<u>At least 70 miles</u>	<u>\$6</u>

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22 A taxpayer that is affiliated with a facility may not claim a
23 credit under this section. The maximum credit allowed is \$6 per
24 ton.

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26 3. Period of application. The credit allowed by this
27 section applies to any tax year beginning on or after January 1,
28 2000 but does not apply to any tax year that begins after
29 December 31, 2003.

30 31 32 **SUMMARY**

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34 This bill implements the recommendations of the Committee on
35 Sawmill Biomass by creating a temporary tax credit for wood
36 processing residue facilities. Nearly all sawmills and wood
37 product manufacturers produce bark, sawdust, shavings, chips and
38 other wood residues in excess of their capacity for on-site
39 consumption. At present most such residues are transported to
40 biomass plants to generate electricity pursuant to state and
41 federal energy policies implemented in the 1980s.

42
43 The tax credit in this bill is designed as a temporary
44 measure to aid sawmills and wood product producers while they
45 encounter losses in revenue from existing disposal methods and
46 while alternative systems are sought out and developed, for
47 example, through producers of mulch, compost material,
48 wood-derived fuel or composite building products. A significant
goal of the credit is to avoid landfilling or burning of wood

2 residues as unproductive waste in degradation to the State's environment.