

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Veterans and Legal Affairs
Hearing Date: *March 31, 2025, Monday at 12:30 P.M.*

LD 544 – “*An Act to Create Parity in the Taxation of Medicine by Exempting Sales of Cannabis for Medical Use*”

Senator Hickman, Representative Supica, and members of the Veterans and Legal Affairs Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Against LD 544, “*An Act to Create Parity in the Taxation of Medicine by Exempting Sales of Cannabis for Medical Use.*”

This bill would amend the sales tax exemption for medicines sold on a doctor’s prescription to include “sales of cannabis . . . to a person with *written certification* for medical use provided by a medical provider” under the Maine Medical Use of Cannabis Act (“MMCA”). The bill is identical to LD 541, as amended, in the 131st Legislature.

Exempting cannabis sold under the MMCA would result in a significant revenue loss of approximately \$13.5 million per year and could encourage cannabis users to shift from the adult use to the medical market. As written, the bill is not clearly limited to cannabis sold under the MMCA and so there could be additional revenue loss of adult-use cannabis sales tax revenue.

Currently, cannabis sold under the MMCA is subject to sales tax at either the 5.5% general rate or, for certain edible cannabis products, the 8% prepared food

rate. Adult use cannabis and adult use cannabis products are subject to sales tax at the rate of 10%. As of 2023, ten states including Massachusetts and Vermont did not tax medical cannabis.

Without clarification, this bill arguably could exempt the sale of either medical use cannabis or, potentially, all cannabis, including adult use cannabis, sold to any person with “written certification for medical use” under the MMCA

If the intention is to exempt from sales tax all cannabis sold under the MMCA, the exemption should read “sales of harvested cannabis sold by registered caregivers or registered dispensaries to a person with written certification for medical use provided by a medical provider pursuant to Title 22, chapter 558-C.” “Harvested cannabis” is defined in the MMCA and includes plant material, cannabis concentrate, and cannabis products.

In addition, it would be clearer to enact such an exemption under a new subsection in 36 M.R.S. § 1760, and not as part of the current exemption for medicines sold on a doctor’s prescription.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee’s questions.