

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

Before the Joint Standing Committee on Veterans and Legal Affairs
Hearing Date: *May 8, 2025*

LD 1831 – “*An Act to Support Small Adult Use Cannabis Businesses by
Establishing a Micro Cannabis Facility License*”

Senator Hickman, Representative Supica, and members of the Veterans and Legal Affairs Committee – good morning, 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 Neither For Nor Against LD 1831, “*An Act to Support Small Adult Use Cannabis Businesses by Establishing a Micro Cannabis Facility License.*”

This testimony is limited to the bill’s effect on taxation. This bill would amend the Cannabis Legalization Act to establish a micro cannabis facility license, which would permit the cultivation of up to 1,000 square feet of plant canopy, and the licensee would be permitted to sell and distribute cultivated and manufactured adult use cannabis to other licensed establishments, as well as sell adult use cannabis, adult use cannabis products, immature cannabis plants, and seedlings to consumers under this single license. Adult use cannabis cultivated and sold under this license would not be subject to the otherwise applicable cannabis excise tax thereby incentivizing current adult use cannabis licensed establishments to restructure their businesses to operate under the new license.

In addition to the testimony provided by the Office of Cannabis Policy, the Department would like to raise the following technical issues for consideration by the Committee.

The bill is unclear on whether a micro cannabis facility licensee may only manufacture and sell self-cultivated products or whether it may also receive cannabis from another licensee. In addition, it is unclear whether the bill exempts only a micro cannabis facility's sales of *self-cultivated* cannabis from the cannabis excise tax or whether it exempts *all* cannabis sold by a micro cannabis facility (that sells any amount of self-cultivated cannabis).

From a drafting standpoint, it would be preferable if the bill clearly described and enacted any exemption from the cannabis excise tax for micro cannabis facilities under Title 36, chapter 723 (Cannabis Excise Tax).

The Administration looks forward to working with the Committee on the bill.