



Testimony in Opposition to LD 1869:

“An Act to Lower Property Taxes by Allowing a Local Option Sales Tax on Recreational Cannabis Sales”

Senator Grohoski, Representative Cloutier, and the distinguished members of the Committee on Taxation, my name is Harris Van Pate and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free-market think tank, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify in opposition to LD 1869.

This bill, while well-intentioned in its aim to reduce the property tax burden, introduces a local option sales tax that threatens to undermine Maine’s economic competitiveness, create administrative complexity, and expand government reliance on unstable and politically expedient tax schemes.

Local Option Sales Taxes Are Inequitable and Economically Inefficient

Permitting municipalities to layer a local sales tax onto existing state taxes fragments Maine’s tax code and burdens small businesses. Local option taxes create an unpredictable and uneven playing field across municipalities, punishing consumers and entrepreneurs in higher-tax towns and encouraging cross-border shopping and regulatory arbitrage, as well as inter-municipality permanent movement.¹

Evidence from other states shows that local option taxes tend to grow over time, with jurisdictions quickly pushing the allowable limits once the infrastructure for local taxation is established. While LD 1869 caps the tax at 1%, history tells us this ceiling may only be temporary. Once adopted, local tax schemes tend to proliferate and become more politically difficult to reverse. Additionally, Maine’s high 5.5% sales tax already places local businesses at a major competitive disadvantage with their neighbors in New Hampshire, and this would further exacerbate that problem.

A Narrow Excise on a Single Industry Is Not Sound Tax Policy

Targeting a single industry—in this case, adult-use cannabis—for additional taxation distorts the market and sets a concerning precedent. Cannabis businesses already face significant regulatory and tax burdens. Adding a locally variable tax layer only exacerbates their challenges and discourages legitimate market participation.

¹ <https://taxfoundation.org/research/all/state/local-tax-revenue-local-sales-taxes-local-income-taxes/>



Maine should avoid repeating the mistakes of other states that have taxed legal cannabis operations to the point of driving consumers and businesses back into the black market. A 2022 report from the Reason Foundation notes that excessive taxation in California has crippled its legal cannabis market, with illicit products now outselling regulated ones.²

This Bill Encourages Local Government Dependence on Volatile Revenue

Cannabis sales are not a stable or dependable source of municipal funding. Revenues are subject to market fluctuation, regulatory shifts, and competitive forces, particularly in an industry still in its early stages. Tying public safety and education funding — two of the most essential government services — to cannabis tax revenue invites fiscal instability and distracts from long-term, structural reform.

Maine Should Pursue True Tax Relief Through Spending Reform

If the Legislature is serious about reducing the property tax burden, the most responsible path forward is through meaningful reform of state and local spending obligations, not by expanding the tax base through new, narrow taxes. Real property tax relief should be driven by restraining government growth and ensuring existing revenue is spent efficiently and transparently.

Conclusion

For these reasons, Maine Policy Institute urges the committee to reject LD 1869. While the goal of reducing property taxes is laudable, this bill represents an unstable, regressive, and economically distorting approach to tax policy. Maine should focus on long-term solutions that support growth, equity, and predictability in taxation, not new tax schemes that shift burdens and grow government. Thank you for your time and consideration.

² <https://reason.org/policy-study/the-impact-of-california-cannabis-taxes-on-participation-within-the-legal-market/>