

Michael Warshaw
South Portland
LD 1942

Testimony of Michael Warshaw
Owner, Dreamscape Farms SP, LLC
To the Joint Standing Committee on Taxation
Re: Reforming the Cannabis Excise Tax (LD 1942)
5/13/25

Senator Grohoski, Representative Cloutier, and Members of the Committee,

My name is Michael Warshaw, and I own Dreamscape Farms SP, LLC, a licensed adult-use cannabis cultivation facility in Maine. I'm here to speak in strong support of LD 1942—not just from a policy perspective, but from personal experience. This bill addresses a tax structure that, in its current form, is unsustainable for many small operators like myself.

When the \$335-per-pound excise tax was established, it was intended to represent roughly 10% of the wholesale price. That might have made sense at the time, but prices in the market have fallen dramatically. Today, that same tax accounts for anywhere from 22% to 30% of our wholesale value. When you add the 10% sales tax, we're looking at nearly 40% in total taxes—on top of already high compliance, labor, and facility costs.

We run an extremely lean operation. I don't take a salary. We've cut every unnecessary expense. And despite that, I've had to dip into my personal savings more times than I care to admit just to keep the business afloat. We are doing everything right—playing by the rules, hiring locally, and complying with every layer of regulation—and still, we can't keep up with the burden of this tax.

Month after month, we're operating at breakeven, at best. The excise tax consumes nearly all of our margin. There's no cushion, no opportunity to invest in growth, and no way to prepare for the next unexpected challenge. For many cultivators in Maine, this isn't about profitability—it's about survival. And without reform, many of us simply won't make it.

At the same time, the illicit market continues to thrive. They don't pay taxes. They don't test product. They don't follow safety regulations. But because of the artificially high price point created by excessive taxation, they remain more competitive than we are. That's a broken system.

To create a fairer, more viable marketplace, I respectfully ask you to consider the following changes:

- Replace the flat per-pound tax with a true percentage-based excise tax, fixed at 10% of the average wholesale price, recalculated annually based on real market data.
- Eliminate redundant taxation on internal transfers between commonly owned licenses. These are standard operational moves within vertically integrated businesses and should not trigger additional tax liabilities.
- Introduce a 120-day deferral period for paying excise taxes, giving businesses time to realize revenue before the state collects on it.

These are not radical changes—they're practical, realistic adjustments that align tax policy with today's economic reality.

I understand the state needs to generate revenue. I support proposals to create fairness by taxing hemp-derived THC products in a way that's comparable to cannabis. But right now, the current model is pushing compliant operators to the brink and threatening the very industry the state set out to build.

Thank you for your time and consideration. I'd be happy to answer any questions and share more about the challenges we face every day on the ground.

Sincerely,
Michael Warshaw

Dreamscape Farms SP, LLC