

May 15, 2025

RE: LD1942 – An Act to Modify Taxes Applying to Adult Use Cannabis, Hemp and Hemp Products

Senator Grohoski, Representative Cloutier and esteemed members of the Joint Standing Committee on Taxation,

I write to you as the General Manager of Tier 3 Adult Use Cultivation facility in South Portland. The situation for us operators on the Adult Use side of the cannabis market is becoming increasingly dire as the market matures. We are in desperate need of relief in the form of tax policy reform that brings the industry into alignment with the market as it exists today.

There is an idea in the public square that cannabis operators are making money hand-over-fist. The kitchen table conversations happening in the homes of cannabis industry employers and employees tells a much different story. We are suffocating on all sides with regulatory burden and an oppressive structure of taxation. We do not believe that the current reality of the tax structure was the original intent of the policy. We have an opportunity to remedy this and save the states small cannabis businesses.

We give LD1942 our full-throated support for the following reasons:

1. **Establishing an excise tax that floats with the Average Wholesale Price:** This brings the Maine program into alignment with most other states, but more importantly, brings the tax back into alignment with where it started when the \$335 was roughly 10% of AWP when the program began. The current tax regime is an effective tax of 30% or more, eliminating margin almost entirely.
2. **Eliminating double taxation on transfers between cultivation licensees and manufacturing licensees whether internal or external:** Our business is a relatively newer entrant to the market and our model is different based on how the market has evolved where we are working with partners that "toll process" for us – meaning that they take our raw flower and turn that into pre-rolls and other products for us. The preroll machine that our toll processor uses to roll our prerolls costs 350k and has more capacity than we need. This arrangement allows us to get our brand into more product offerings, while allowing our toll processor to maximize the investment on their equipment. This is what a mature market is supposed to evolve into. But, currently this exposes us to taxation when we transfer our material out to be rolled. However, if we owned our own machine, we would not be exposed to this tax event.
3. **Establishing a grace period for assessment of taxes:** We are seeing the suffocating cash flow effect of the current regime where taxes are owed 15 days after the close of each month. As the market has evolved, we are seeing a shift to more customers on terms and delayed sale-to-cash events overall. Establishing a 120-day grace period allows us to realize the cash from the sales in the filing period reliably.
4. **Taxing Hemp-Derived THC Products:** There is no good reason that hemp-derived THC products are not subject to the same taxes as the Adult Use market. It's THC. It's recreational. It should be taxed accordingly.

We maintain that the best way to choke out the illicit market, bring the medical market into the fold, and ensure the long-term viability of our program is to work together as an industry with legislators such as yourselves to create an equitable environment for small businesses to thrive. We need the committee help to find the relief that can unlock the potential of the industry, which will only increase tax revenue over the long term.

Respectfully,

A handwritten signature in black ink, appearing to be 'Tim Gibb', written over a horizontal line.

Tim Gibb
General Manager
Dreamscape Farms