

## **TESTIMONY OF KASPAR HEINRICI, CEO OF SEAWEED CO.**

IN SUPPORT OF LD 1942 - "An Act to Modify Taxes Applying to Adult Use Cannabis, Hemp and Hemp Products"

BEFORE THE JOINT STANDING COMMITTEE ON TAXATION

MAY 2025

Senator Grohoski, Representative Perry, and honorable members of the Joint Standing Committee

on Taxation,

My name is Kaspar Heinrici, and I am the CEO of SeaWeed Co., a Maine-based adult use cannabis company that operates cultivation, manufacturing, and retail facilities across the state. We employ about 45 Mainers. On behalf of myself and my company, I write in strong support of LD 1942.

### **The Current Excise Tax Is Not Tied to Market Price and Therefore Disproportionate to Value**

Maine's current cannabis excise tax-set at \$335 per pound of flower-is deeply out of step with market conditions. With wholesale flower prices continuing to decline due to market maturation and competition, this flat-rate tax now represents an effective tax rate of over 20% to 25% on average wholesale value.

In an industry with declining prices and thinner margins having an excise tax that is not tied to value makes it impossible to stay in business.

### **Excise Tax Reform Must Not Be Offset by a Sales Tax Increase**

We support the shift to a 10% excise tax on average wholesale price, but that support is contingent upon maintaining the current 10% sales tax rate at retail. Any increase to the retail sales tax would simply shift the burden from licensees to consumers, undermining the benefits of the reform and exacerbating consumer price pressures.

In both of the past two legislative sessions, bills proposing to lower the excise tax by increasing the sales tax failed. The reasons were clear then, and they remain valid now: consumers are already paying too much, and Maine's legal cannabis market cannot afford to be made even less competitive. If this path is taken again during the work session, the bill will likely fail for a third time-and with it, the opportunity for meaningful progress.

### **Overtaxation Is Hindering Growth and Enabling the Illicit Market**

Our industry is over-taxed and under-leveraged, a reality that is holding back growth, compliance, and competition. Excessive taxation makes it harder for businesses like ours to compete against the illicit and unregulated cannabis markets, where products are untaxed, untested, and sold without oversight.

Importantly, Maine's adult use cannabis market has recently plateaued. The best way to reverse that trend is to lower retail prices, and the best way to lower prices is by reducing costs upstream-starting with cultivation excise tax.

Elasticity: Lower Prices, Larger Market, Greater Revenue

Economically, the case is clear: cannabis is a highly elastic product. As prices go down, demand increases disproportionately. Lowering the tax burden at the cultivation level will lead to lower consumer prices, greater participation in the legal market, and growth in total sales volume. In turn, this will produce more sustainable and potentially greater total tax revenue, all while supporting the goals of legalization-safe access, regulated markets, and public health.

Conclusion

LD 1942 presents a timely and well-structured opportunity to modernize Maine's cannabis tax framework. It supports industry viability, enhances competitiveness, and offers a pathway to long-term market growth. For our company, the financial relief would be transformative-allowing us to reinvest in our people, grow our infrastructure, and continue contributing meaningfully to Maine's economy.

We respectfully urge the Committee to support LD 1942 without increasing the sales tax, and to ensure the bill is not derailed by repeating the mistakes of past sessions.

Thank you for your time and consideration.

Respectfully,

Kaspar Heinrici

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