



Dear Senator Grohoski, Representative Cloutier and distinguished members of the taxation committee:

My name is Matt Hawes, I reside in Bath, Maine, and I am the founder of Novel Beverage Co., a licensed Maine adult use cannabis manufacturer. I am writing to show my support for LD 1942.

We are learning from examples around the country that legal cannabis has been over-taxed, with businesses bearing an oppressive burden while, at the same time competing with an unregulated, illegal market. Maine is no different.

There was an apparent fallacy at the start of legal cannabis programs that cannabis businesses were a source of endless cash. But, with strenuous regulations, excessive banking fees, myriad taxes, disqualification from exempting normal business expenses on federal tax, and an illegal market that operates with almost no law enforcement as our competitor, we have learned that it is harder to survive as a cannabis business than almost any other business venture.

I was present during the work sessions for Maine's original cannabis legislation, LD 1719, heard during the 128th legislature, and it was clear that the intent was to impose a 10% effective excise tax rate on the cultivation of adult use cannabis in Maine. At the time, \$335 per pound was in line with that objective. However, \$335 per pound is now far in excess of 10% of the market rate. Given the states access to sales data through the mandatory track-and-trace system, it would be reasonable to meet that objective simply by adjusting the excise tax from a flat rate to 10% of the actual average wholesale price.

I would like to add that historically, there has been an effort to achieve fiscal neutrality by raising the sales tax. I cannot overemphasize my opposition to that tactic for the same reason we need to lower the excise tax rate – that reason being the illegal market. Our consumers can just go by cannabis illegally from their neighbors, where there is no tax collected at all. Law enforcement is barely doing anything about the large scale, organized crime operations growing cannabis in our state – they are certainly not pursuing small time cannabis growers and sellers. And I am not proposing that we use our limited law enforcement dollars for that purpose, but the state does need to acknowledge the things that can be done to make our legal, regulated cannabis market competitive in our current reality. Lowering regulatory burdens and tax implications are a must. The tax burden cannot simply be shifted from the cultivator to the consumer. Please vote 'ought to pass' on LD 1719 as drafted.

Respectfully,

Matt Hawes