

**TESTIMONY OF  
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation  
Hearing Date: *Thursday, March 9, 2023*

LD 541 – *“An Act to Create Parity in the Taxation of Medicine”*

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Senator Grohoski, Representative Perry, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am providing testimony at the request of the Administration Neither For Nor Against LD 541, *“An Act to Create Parity in the Taxation of Medicine.”*

This bill would broaden the sales tax exemption for medicines sold on a doctor’s prescription to include sales of cannabis for medical use pursuant to the Maine Medical Use of Cannabis program (“MMCP”). Cannabis sold pursuant to the MMCP is currently subject to sales tax at either the 5.5% general rate or, for certain edible cannabis products, the 8% prepared food rate. Adult use cannabis and cannabis products are subject to sales tax at the rate of 10%. Ten states, including Massachusetts and Vermont, do not tax cannabis for medical use.

To qualify for the existing exemption for medicines, medicine must be sold on a doctor’s prescription. Cannabis is sold pursuant to the MMCP when a qualifying patient receives a written certification from a medical provider. Due to the differences between a prescription and a written certification, cannabis sold pursuant to the MMCP does not appear to meet the requirement of being sold on a doctor’s prescription necessary to receive the sales tax exemption.

If the legislative intent is to exempt sales of medical cannabis from the sales tax, that result would be better achieved by changing the word “including” on line five of the bill to “and;” or, by enacting a separate exemption for cannabis sold pursuant to the MMCP.

The preliminary average annual revenue loss resulting from the exemption of cannabis and edible cannabis products sold pursuant to the MMCP over the next three calendar years is approximately \$12.3 million. This proposal would also require an application or effective date for the first day that sales of cannabis sold pursuant to the MMCP would be exempt from the tax.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee’s questions.