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THE MAINE SENATE  
131st Legislature

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***Testimony of Senator Teresa S. Pierce introducing  
LD 1063, An Act to Provide Equitable Tax Treatment to State-licensed  
Cannabis Businesses  
before the Joint Standing Committee on Taxation  
March 30, 2023***

Senator Grohoski, Representative Perry, and Esteemed Members of the Taxation Committee, my name is Teresa Pierce, and I represent Senate District 25, encompassing Falmouth, Cumberland, North Yarmouth, Yarmouth (majority), Gray, and Long Island. Today I am pleased to introduce LD 1063, An Act to Provide Equitable Tax Treatment to State-licensed Cannabis Businesses.

This bill, for taxable years beginning on or after January 1, 2023, adds manufacturing facilities, cannabis establishments and testing facilities to the list of cannabis businesses licensed by the State that are eligible to take deductions under the state income tax laws.

Section 280E of the federal tax code prohibits trades or businesses trafficking in a controlled substance from deducting ordinary business expenses. Maine has a similar prohibition in its tax code. Cannabis is still considered a controlled substance under the federal Controlled Substances Act, so businesses producing, manufacturing, or selling cannabis, even a business deemed legal at the state level, cannot deduct ordinary business expenses under the federal or state tax code expressly authorizes such a deduction. This legislation would create that express authorization.

The contrast in the tax code is appalling. The effective tax rate for businesses able to write off business expenses is roughly 40% of their gross income. Comparatively, the effective tax rate for businesses that are unable to deduct ordinary businesses expenses is approximately 70% of gross income. This unfair tax code is significant and means a 30% loss for business owners to reinvest in their business, hire and retain quality employees, and offer greater benefits to current employees. The medical cannabis industry in Maine is able to utilize this tax advantage. It seems only fair and prudent that both our cannabis industries could have this opportunity.

The adult cannabis industry brought nearly \$160 million in revenue to the State in 2022.<sup>1</sup> If we cut red tape and remove barriers from business growing and expanding, there is potential for this number to grow exponentially, bringing more revenue to our state as we continue meeting the challenges facing Mainers.

Thank you for the opportunity to present this bill, I am happy to answer any questions to the best of my ability.

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<sup>1</sup> <https://mjbizdaily.com/maine-recreational-marijuana-sales-nearly-doubled-to-159-million-in-2022/#:~:text=Maine%20recreational%20marijuana%20sales%20nearly%20doubled%20to%20%24159%20million%20in%202022>