



April 26th, 2023

To: **Senator Grohoski, Representative Perry, and Honorable Members of the Joint Standing Committee on Taxation**

From: **Alex McMahan**
Lewiston, Maine 04240

Subject: Support of LD 1384

I'm here today to testify in support of LD 1384, but really to testify against the whole basis of excise tax on adult use cannabis.

I want to begin with a disclaimer. My company operates on both the medical and adult use side of the fence, however currently 100% of our cultivation is on the medical side. This is 100% because of the excise tax on adult use cannabis. So when I speak about the excise tax, I want to be clear that I am not paying it. I do however work with many operators who do pay it, and I have a deep understanding of the inner workings of both markets. And trust me, the amount of taxes I do pay is still disgusting.

My testimony speaks for the industry at large.

The excise tax on adult use cannabis was severely miscalculated at the onset of the adult use market. Fortunately, we're only a couple of years in, so it should be simple enough to fix this error. It's no secret that the industry is struggling right now. Operators are doing everything they can to make ends meet, and many have already closed their doors and turned off the lights. This is a natural part of a boom and bust cycle, which is ok. However there is one component that is unnatural, and not ok. The State is currently making more money per pound of cannabis than most operators are.

I understand what goes through auxiliary organizations' minds when they hear cannabis. They see green. I encounter it everywhere. It's called the green tax. The exact same candy molds cost ten times as much if they have a THC logo on them. Rent for cannabis operators often carries a higher premium. Our state and local licensing fees are outrageous when compared to other industries. Our excise tax is no different. The State saw green when launching the market and settled on an excise tax that is unrealistically high.

This money has only been in the State's coffer for two and half years. There is no reasonable argument to be made that the State can't do without this money. In addition to excise tax, the State makes \$1.5M a month from sales tax on adult use cannabis. Plus over a million dollars a year in licensing fees. If excise tax were completely out of the picture, the State is still bringing

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in twenty million more dollars per year than it was before the launch of the program. Any budget adjustments that were made while the State was seeing green can be adjusted right back down to just \$20M above where they were in 2020.

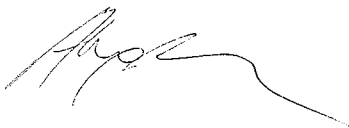
I get it. Everybody getting \$20M would rather it be \$40M. But when doing so breaks the back of the person doing it, it is abuse and it is wrong. The State is abusing the adult use cannabis industry right now. Our largest agricultural crop. Our fastest growing industry. We're breaking our backs in the field, and we're giving over half to the State, while our plates at home remain unfull.

Some of you on the committee own businesses. If you could see what we pay in taxes, you would puke. Most of it goes to the federal government because we are still federally illegal, but the State chose to allow us, and therefore the State should have our backs. We are collectively dumping tens if not hundreds of millions of dollars into building buildings and renovating properties across the state. We are pumping tens of millions of dollars into auxiliary industries throughout the state. We are employing thousands of Mainers. We are the poster child for economic development right now. And after all we do, it feels like we are being punished. As if everything we are doing for the State is not enough, we have to pay massive fees for our productivity in the form of excise taxes, all while 90% of the industry is barely scraping by.

I would like to point out that the primary function of the regulated market is to compete with the illicit market, if for no other reason than to reduce youth access and remove cannabis from gateway scenarios. Any burdens that are placed on the regulated market are advantages given to the illicit market. Just look at the entire west coast. Taxed to death and the illicit market is flourishing.

My question to the committee is this: are we pioneers of a new industry, battling the illicit market, building up our communities, employing our neighbors, and providing a meaningful service to the people of Maine? Or are we but State sharecroppers, toiling in the fields to meekly hand over the bulk of the fruits of our labor to the State? At present, the answer is unclear.

Sincerely,



Alex McMahan
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