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Testimony of Rep. David Boyer introducing

LD 1654, An Act to Allow a Grace Period for the Payment of Excise Tax for Adult Use Cannabis Cultivation Facilities

Before the Joint Standing Committee on Taxation

May 16, 2025

Senator Grohoski, Representative Cloutier, and distinguished members of the Committee on Taxation, my name is Rep. David Boyer, and I am proud to present LD 1654, An Act to Allow a Grace Period for the Payment of Excise Tax for Adult Use Cannabis Cultivation Facilities.

As returning members may recall, Maine's adult-use cannabis industry has two taxes levied against it. One is the sales tax, which is 10% and borne by the customer at the point of sale. The other is the excise tax, which is \$335 per pound, paid by the cultivator. Since the price of cannabis has plummeted since legalization, this tax now represents 20-25% of the wholesale price, rather than the original intent of a 10% wholesale tax.

Additionally, cultivators who also hold a manufacturing or retail license are required to pay the excise tax at the time of transfer. This results in operators essentially fronting the state tax dollars before they have even sold the product.

This would be akin to Maine lobstermen being required to pay a third of the market price of their catch immediately upon returning to shore, while Canadian lobstermen fish in our waters without adhering to our regulations and sell lobster without paying taxes or undergoing testing.

To illustrate the severity of this issue, in March, I requested data from Maine Revenue Services (MRS). At that time, there were 13 adult-use cannabis cultivators on a payment plan with MRS. Since November 2022, 16

District 87 Mechanic Falls and Poland (part)

operators have completed 20 payment plans. Additionally, 24 cannabis cultivators are currently in debt to MRS. Given that there are only about 80 cultivators, it is clear that the industry is overtaxed to the point where their financial viability is threatened. I have requested more recent numbers, but MRS is understandably busy at this time.

While I understand there is no appetite to eliminate or reduce the excise tax in a substantial manner, this bill would bring much-needed relief to adult-use cannabis operators by providing a 120-day grace period to pay the excise tax. I would add that the bill should be amended to clarify that operators still need to file their tax returns on time.

A similar bill, sponsored by Senator Ben Chipman in the 131st Legislature, passed but was not funded. This issue has persisted for far too long. If there is a fiscal note associated with this bill, I recommend using the Other Special Revenue Account— Adult Use Cannabis Regulatory Coordination Fund — to cover the presumably minor fiscal note. I would further recommend an emergency designation if the committee believes this bill is worth moving forward on.

I thank the committee for their time and consideration.