



May 15th, 2025

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

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

**Subject: Support of LD 1942**

As many of you know, the adult use cannabis excise tax has been a major issue since the beginning of the program. The excise tax was set at a flat rate with high expectations; however the market did not live up to those high expectations, and now the regulated industry is burdened with a wholesale tax rate of effectively 20-30%. This is in addition to our sales tax of 10%, and our inability to write off most of our expenses on our federal income tax because of 280e. These factors make it far more difficult to turn a profit in our industry than in other industries.

In previous years, we failed at our efforts to reduce the excise tax because we were unable to target a revenue source in time. This time, we believe that the revenue sources targeted in LD 1942 will be sufficient to lower the excise tax.

I do wish to stress that our association is strongly opposed to any sales tax increase to offset the excise tax. It is our belief that the consumer should not be forced to bear any additional cost. In years past, once sales tax was introduced into this topic, it became more of a sales tax issue for us than an excise tax issue, and we had to oppose it.

We also have to keep in mind that we are not operating in a vacuum. There are two other thriving markets outside of the adult use market: the medical market, and the illicit market. Neither pay excise tax. One pays about half the sales tax, and the other pays none. The illicit market of course also doesn't pay for insurance, workers comp, income tax, licensing, and a whole host of other expenses. That's what we're competing against.

It is vital that the state gives us the tools we need to compete with the illicit market for the following reasons: we check IDs, we don't sell cannabis alongside other drugs (as you often see in the illicit market), our products are tested and tracked, and we generate revenue for the state. With the current excise tax structure, we are at a severe disadvantage.



In closing, I would like to point out that there isn't as large of crowd testifying today as in years past. Some of the operators who testified before you on this topic last session have exited the adult use market, and some are still on payment plans with MRS to pay off their excise tax liability. I am hopeful that the committee will see the urgent need for relief for an industry made up almost entirely of Maine small businesses, before any more have to go out of business.

Respectfully,

Alex McMahan  
Maine Cannabis Industry Association