

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Veterans and Legal Affairs
Hearing Date: *February 12, 2025, Wednesday, at 11:00 AM*

LD 347 – *“An Act to Provide Qualifying Municipalities a Percentage of Adult Use Cannabis Sales Tax and Excise Tax Revenue”*

Senator Hickman, Representative Supica, and members of the Veterans and Legal Affairs Committee – good morning, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Against LD 347, *“An Act to Provide Qualifying Municipalities a Percentage of Adult Use Cannabis Sales Tax and Excise Tax Revenue.”*

This bill creates new revenue-sharing for municipalities that have allowed cannabis establishments within the municipality by establishing the Local Government Cannabis Revenue Fund, funded by a monthly transfer of 12% of the sales and excise tax receipts from sales and transfers of adult use cannabis and adult use cannabis products. Revenues would be distributed in proportion to the amount of “state revenues generated by” cannabis establishments in each municipality.

Though possibly overlooked, municipalities already receive a 5% share of both adult use and medical cannabis sales tax revenues simply as a function of the general Revenue Sharing formula base consisting of 5% of State Government’s total monthly sales, corporate and personal income tax revenues. Via general Revenue Sharing, municipalities also are already receiving a share of the corporate

and individual income tax revenues paid by cannabis business owners and employees.

It should be noted that Part F of the Governor's biennial budget (LD 210) includes a proposal to reduce the current transfer to the Adult Use Cannabis Public Health and Safety and Municipal Opt-in Fund of adult use cannabis sales and excise tax, from 12% to 9% of receipts, in inverse proportion to the additional revenue that would be generated by the proposed increase in the adult use cannabis sales tax from 10% to 14%. This bill would run counter to and more than offset the Governor's budget proposal by reducing General Fund revenue by an estimated \$6 million per year.

Turning to technical language concerns:

- The language in Section 1 of the bill, proposed Title 28-B, Section 407, subsection 3, should be clarified to only include the sources of the Local Government Cannabis Revenue Fund as identified in subsection 2.
- Section 2 of the bill should be amended on lines 31 and 36 to read: “received . . . pursuant to section 1811, subsection 1, paragraph D, subparagraph (5).”
- To facilitate the transfers directed by this bill in coordination with the current transfers to the Adult Use Cannabis Public Health and Safety and Municipal Opt-in Fund and the Local Government Fund, LD 347 should include language specifying the timing and calculation of the transfers in relation to each other.
- Maine Revenue Services would be required to update its tax processing system to determine distribution amounts, meaning a general effective date (90 days post-adjournment) may be too soon for

implementation. The bill should also include a start date for transfers to the Local Government Cannabis Revenue Fund, preferably on the first day of a month.

- The bill requires the Treasurer to “retain the actual costs of administering the fund.” A simpler approach would be determining a fixed monthly amount to be retained instead.

Finally, with respect to smaller communities with only one or a few affected businesses, the reporting and redistribution of revenues as specified in the bill may indirectly allow greater public knowledge of tax data of those businesses that otherwise would be confidential.

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.