

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

Before the Joint Standing Committee on Veterans and Legal Affairs
Hearing Date: *May 5, 2025*

LD 1820 – “*An Act to Simplify Regulation of the Adult Use Cannabis Industry*”

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 1820, “*An Act to Simplify Regulation of the Adult Use Cannabis Industry*.”

Relevant to taxation, this bill would amend the cannabis excise tax law by creating a new taxable category of “cannabis biomass.” Cannabis flower and seeds are currently subject to excise tax at the rate of \$335 per pound and 30¢ per seed respectively. This bill would carve out a reduced rate for cannabis flower and seeds “used for extraction and manufactured into concentrate” by classifying them as “cannabis biomass”, taxable at the lower cannabis trim rate of \$94 per pound.

If the bill is intended to tax cannabis flower and seeds at a lower rate when sold or transferred to be extracted and manufactured into concentrate, the current cannabis flower and seed rates should be amended to exclude those sales or transfers. For example, “\$335 per pound or fraction thereof of cannabis flower sold to other licensees in the State, except when sold for extraction and manufactured into a concentrate.” See 36 M.R.S. § 4923(1), (4). To ensure items taxed at the “cannabis biomass” rate are not sold at retail as flower or seeds, the

committee may consider limiting “cannabis biomass” to flower or seeds for extraction only when sold or transferred to a manufacturing facility.

Numerous bills have been proposed in prior legislative sessions to reduce the amount of excise tax imposed on the cultivation of cannabis, or to restructure or repeal the cannabis excise tax. The Governor’s Biennial Budget, Part F proposes reducing cannabis excise tax rates by one-third and increasing the sales tax on adult use cannabis from 10% to 14%.

The Administration looks forward to working with the Committee on the bill.