

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

Report A

SAR
ROS

L.D. 1405

Date: 3/19/24 Report A

(Filing No. H-834)

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34

TAXATION

Reproduced and distributed under the direction of the Clerk of the House.

**STATE OF MAINE
HOUSE OF REPRESENTATIVES
131ST LEGISLATURE
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to H.P. 901, L.D. 1405, "An Act to Change How Adult Use Cannabis Excise Tax Is Calculated"

Amend the bill by striking out everything after the enacting clause and inserting the following:

Sec. 1. 36 MRSA §4921, sub-§1-A is enacted to read:

1-A. Average wholesale price. "Average wholesale price" means the median wholesale price per pound or fraction thereof of cannabis flower or cannabis trim that is sold or transferred from cultivation facility licensees to other licensees in the State, as determined by the department on an annual basis by routine technical rulemaking as described by Title 5, chapter 375, subchapter 2-A.

Sec. 2. 36 MRSA §4921, sub-§2-A is enacted to read:

2-A. Department. "Department" has the same meaning as in Title 28-B, section 102, subsection 14.

Sec. 3. 36 MRSA §4923, sub-§1, as amended by PL 2021, c. 323, §3 and amended by c. 669, §5, is further amended to read:

1. Excise tax on cannabis flower. A Prior to January 1, 2025, a cultivation facility licensee shall pay an excise tax of \$335 per pound or fraction thereof of cannabis flower sold to other licensees in the State. Beginning January 1, 2025 and prior to January 1, 2027, a cultivation facility licensee shall pay an excise tax of \$150 per pound or fraction thereof of cannabis flower sold to other licensees in the State. Beginning January 1, 2027, a cultivation facility licensee shall pay an excise tax of 10% of the average wholesale price of cannabis flower sold to a products manufacturing facility, as defined in Title 28-B, section 102, subsection 43, or a cannabis store, as defined in Title 28-B, section 102, subsection 34, in the State.

Sec. 4. 36 MRSA §4923, sub-§2, as enacted by PL 2019, c. 231, Pt. B, §7 and amended by PL 2021, c. 669, §5, is further amended to read:

COMMITTEE AMENDMENT

ROS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

2. Excise tax on cannabis trim. A Prior to January 1, 2025, a cultivation facility licensee shall pay an excise tax of \$94 per pound or fraction thereof of cannabis trim sold to other licensees in the State. Beginning January 1, 2025 and prior to January 1, 2027, a cultivation facility licensee shall pay an excise tax of \$20 per pound or fraction thereof of cannabis trim sold to other licensees in the State. Beginning January 1, 2027, a cultivation facility licensee shall pay an excise tax of 10% of the average wholesale price of cannabis trim sold to a products manufacturing facility, as defined in Title 28-B, section 102, subsection 43, or a cannabis store, as defined in Title 28-B, section 102, subsection 34, in the State.

Sec. 5. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF Adult Use Cannabis Regulatory Coordination Fund Z264

Initiative: Provides funding for one Auditor II position and associated costs.

| GENERAL FUND | 2023-24 | 2024-25 |
|-------------------------------|----------------|------------------|
| POSITIONS - LEGISLATIVE COUNT | 0.000 | 1.000 |
| Personal Services | \$0 | \$121,563 |
| All Other | \$0 | \$8,913 |
| GENERAL FUND TOTAL | \$0 | \$130,476 |

Amend the bill by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

SUMMARY

This amendment reduces the cannabis excise tax rate, beginning January 1, 2025 and prior to January 1, 2027, from \$335 per pound to \$150 per pound for cannabis flower and from \$94 per pound to \$20 per pound for cannabis trim. Beginning January 1, 2027, the excise tax rate for each product is 10% of the average wholesale price per pound or fraction thereof when sold or transferred to manufacturing or retail licensees. The average wholesale price must be determined annually by the Department of Administrative and Financial Services by routine technical rule.

FISCAL NOTE REQUIRED
(See attached)

COMMITTEE AMENDMENT



131st MAINE LEGISLATURE

LD 1405

LR 1636(03)

An Act to Change How Adult Use Cannabis Excise Tax Is Calculated

Fiscal Note for Bill as Amended by Committee Amendment "A" (H-834)

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

| | FY 2023-24 | FY 2024-25 | Projections FY 2025-26 | Projections FY 2026-27 |
|-----------------------------------|------------|---------------|---------------------------|---------------------------|
| Net Cost (Savings) | | | | |
| General Fund | \$0 | \$3,920,476 | \$9,799,365 | \$10,102,380 |
| Appropriations/Allocations | | | | |
| General Fund | \$0 | \$130,476 | \$134,365 | \$138,380 |
| Revenue | | | | |
| General Fund | \$0 | (\$3,790,000) | (\$9,665,000) | (\$9,964,000) |
| Other Special Revenue Funds | \$0 | (\$363,000) | (\$1,255,000) | (\$1,327,000) |

Fiscal Detail and Notes

This bill reduces the excise tax per pound on cannabis products beginning January 1, 2025 and changes the excise tax on cannabis products to 10% of the average wholesale price beginning January 1, 2027. In fiscal year 2024-25, cannabis excise tax revenue will decrease by \$4,282,000 and cannabis sales tax revenue will increase by \$129,000, resulting in a net decrease in General Fund revenue of \$3,790,000. The increase in cannabis sales tax revenue results from increased sales volume as prices decrease in response to lower excise taxes, which more than offsets the negative impact of the price decrease on sales tax revenue.

The bill also reduces revenue to the Adult Use Cannabis Public Health and Safety and Municipal Opt-in Fund by \$368,000 in fiscal year 2024-25 and increases revenue to the Local Government Fund by \$5,000 in fiscal year 2024-25, resulting in a net reduction of \$363,000 in Other Special Revenue Funds.

This bill includes ongoing General Fund appropriations of \$130,476 starting in fiscal year 2024-25 to the Office of Cannabis Policy within the Department of Administrative and Financial Services (DAFS) for one Auditor II position and associated costs. Administrative costs to the Bureau of Revenue Services within DAFS to implement the changes in the cannabis excise tax are expected to be minor and can be absorbed within existing budgeted resources.