



MAINE REVENUE SERVICES SALES, FUEL & SPECIAL TAX DIVISION INSTRUCTIONAL BULLETIN NO. 61

SALES OF ADULT USE CANNABIS AND RELATED PRODUCTS

This bulletin is intended solely as advice to assist persons in determining and complying with their obligations under Maine tax law. It is written in a relatively informal style and is intended to address issues commonly faced by persons who make sales of adult use cannabis and related products pursuant to the Cannabis Legalization Act (“CLA”).

Taxpayers are responsible for complying with all applicable tax statutes and rules. Although bulletins issued by Maine Revenue Services (“MRS”) do not have the same legal force and effect as rules, justifiable reliance upon this bulletin will be considered in mitigation of any penalties for any underpayment of tax due. This bulletin is current as of the date shown at the end of the document.

The Sales and Use Tax Law is found in Part 3 of Title 36 the Maine Revised Statutes (“M.R.S.”). Title 36, MRS rules, Instructional Bulletins, certificates and affidavits referenced in this bulletin may be viewed on the MRS website, maine.gov/revenue.

The CLA is found in 28-B M.R.S., Chapter 1. Title 28-B, related rules, and other forms and applications related to the CLA are available on the Office of Cannabis Policy’s (“OCP’s”) website, maine.gov/dafs/ocp.

A person or business entity must first apply for and be issued a license from the OCP in order to operate a cannabis establishment. The specific requirements for licensure are set forth in OCP Rule 18-691, Chapter 1.

Licensed cannabis establishments are retailers involved in making sales of adult use cannabis, adult use cannabis products, and other tangible personal property. Cannabis establishments are required to register as retailers with MRS and are responsible for collecting and remitting Maine sales and use tax (see Sections 6 and 7 below).

The activities described in this bulletin are considered a violation of federal law. Persons operating in activities allowed under the CLA may be subject to federal sanctions for what is otherwise considered authorized conduct in the State of Maine. Compliance with this bulletin does not exempt licensees, their employees, or customers from possible federal prosecution. MRS is not responsible or liable for the actions of program participants under this bulletin.

1. RELEVANT STATUTORY DEFINITIONS

The following terms used in this bulletin are defined in 28-B M.R.S. § 102-A and OCP Rule 18-691, Chapter 1, “Adult Use Cannabis Program Rule.”

Adult use cannabis. “Adult use cannabis,” as defined in 28-B M.R.S. § 102-A(1), means cannabis cultivated, manufactured, distributed or sold by a cannabis establishment.

Adult use cannabis product. “Adult use cannabis product,” as defined in 28-B M.R.S. § 102-A(2) and OCP Rule 18-691, Chapter 1, Section 1.4.4, means a cannabis product that is manufactured, distributed, or sold by a cannabis establishment.

Cannabis. “Cannabis,” as defined in 28-B M.R.S. § 102-A(8), means the leaves, stems, flowers and seeds of a cannabis plant, whether growing or not. “Cannabis” includes cannabis concentrate but does not include hemp as defined in Title 7, section 2231, subsection 1-A, paragraph D or a cannabis product.

Cannabis establishment. “Cannabis establishment,” as defined by 28-B M.R.S. § 102-A(10) and OCP Rule 18-691, Chapter 1, Section 1.4.19, means a cultivation facility, a products manufacturing facility, a testing facility, a cannabis store or a sample collector licensed under the CLA.

Cannabis paraphernalia. “Cannabis paraphernalia,” as defined by 28-B M.R.S. § 102-A(13), means equipment, products, devices and materials that are used for planting, propagating, cultivating, harvesting, processing, preparing, testing, packaging or storing adult use cannabis or used for ingesting, inhaling or otherwise consuming adult use cannabis, including electronic smoking devices.

Cannabis product. “Cannabis product,” as defined by 28-B M.R.S. § 102-A(15), means a product composed of cannabis or cannabis concentrate and other ingredients that is intended for use or consumption. “Cannabis product” includes, but is not limited to, an edible cannabis product, a cannabis ointment and a cannabis tincture. “Cannabis product” does not include cannabis concentrate or a product containing hemp as defined in Title 7, section 2231, subsection 1-A, paragraph D.

Cannabis store. A “cannabis store,” as defined by 28-B M.R.S. § 102-A(16), means a facility licensed under the CLA to purchase adult use cannabis, immature cannabis plants and seedlings from a cultivation facility, to purchase adult use cannabis and adult use cannabis products from a products manufacturing facility and to sell adult use cannabis, adult use cannabis products, immature cannabis plants, seedlings and other products to consumers.

Cultivation facility. A “cultivation facility,” as defined in 28-B M.R.S. § 102-A(25), means a facility licensed under the CLA to purchase cannabis plants and seeds from other cultivation facilities; to cultivate, prepare and package adult use cannabis; to sell adult use cannabis to products manufacturing facilities, to cannabis stores and to other cultivation facilities; and to sell

cannabis plants and seeds to other cultivation facilities and immature cannabis plants and seedlings to cannabis stores or adults.

Products manufacturing facility. A “products manufacturing facility,” as defined by 28-B M.R.S. § 102-A(51), means a facility licensed under the CLA to purchase adult use cannabis from a cultivation facility or another products manufacturing facility; to manufacture, label and package adult use cannabis and adult use cannabis products; and to sell adult use cannabis and adult use cannabis products to cannabis stores and to other products manufacturing facilities.

2. SALES

Cannabis establishments may act as retailers and be engaged in the sale of adult use cannabis and adult use cannabis products. Retail sales of all adult use cannabis and adult use cannabis products are subject to sales tax at a higher rate than the generally applicable sales tax rate. As of January 1, 2026, the rate is 14%. See Section 7 below for information on sales tax returns and payments.

Sales tax is calculated on the sale price of the item being sold. “Sale price” means “the total amount of a retail sale valued in money, whether received in money or otherwise,” and includes “any consideration for services that are part of a retail sale.” 36 M.R.S. § 1752(14)(A). See MRS Instructional Bulletin No. 39 (“Sale Price Upon Which Tax is Based”) for more information.

A. ADULT USE CANNABIS AND ADULT USE CANNABIS PRODUCTS. Sales tax at the adult use cannabis rate of must be collected on the sale price of retail sales of adult use cannabis and adult use cannabis products, including but not limited to, cannabis, cannabis concentrate, edible cannabis products, tinctures, topical treatments such as ointments and salves, immature cannabis plants, seedlings, and seeds.

B. FOOD PRODUCTS. Retail sales of edible cannabis products are subject to sales tax at the adult use cannabis rate as an adult use cannabis product. Retail sales of food prepared by the retailer that does *not* contain cannabis or cannabis products are subject to sales tax at a separate “prepared food rate.” “Prepared food” includes food products that are prepared by the retailer and are designed for immediate consumption “without further preparation.” “Without further preparation” does not include combining an item with a liquid or toasting, microwaving or otherwise heating or thawing a product for palatability rather than for the purpose of cooking the product. See MRS Instructional Bulletin No. 27 (“Sales of Prepared Food”) for more information.

C. RELATED PRODUCTS. A cannabis establishment may sell other products to consumers; for example, a cannabis store may sell paraphernalia and apparel or a nursery cultivation facility may sell agricultural or gardening supplies. Sales tax at the “general sales tax rate” must be collected on the value of such tangible personal property sold.

D. RETURNED MERCHANDISE. When an item is returned by a customer, the sales tax is generally refundable to the retailer only when a full refund of the sale price has been provided to the customer. If a product is returned and the customer receives only a partial refund of the

sale price, no sales tax is refundable to the customer, unless the partial refund is made pursuant to warranty. See 36 M.R.S. § 1752(14)(B)(2)-(3).

3. SALES FOR RESALE

A cannabis establishment may make sales for resale to another registered retailer. For example, a cannabis products manufacturing facility may sell adult use cannabis products to a cannabis store for resale to its customers. Sales for resale to a purchaser that holds a valid resale certificate are not taxable. When making sales for resale, the retailer must obtain a signed copy of the purchaser's current resale certificate. For more information, see MRS Rule 301 ("Sales for Resale and Sales of Packaging Materials") and MRS Instructional Bulletin No. 54 ("Resale Certificates").

4. COMMERCIAL AGRICULTURAL PRODUCTION

A cultivation facility may be engaged in "commercial agricultural production" and may be eligible for a sales tax exemption on some of its purchases.

"Commercial agricultural production" means the commercial production of crops (including seeds), maple syrup, honey, plants, trees, compost and livestock. See 36 M.R.S. § 2013(1)(A). Commercial agricultural production includes the cultivation and harvest of cannabis plants by cultivation facilities. Cultivation facilities, including nursery cultivation facilities, that are engaged in commercial agricultural production may qualify to purchase certain items exempt from sales tax. The purchaser must provide the retailer with a copy of a valid commercial agricultural certificate of exemption issued by MRS and a properly completed exemption affidavit.

MRS Rule 323 ("Commercial Agricultural Production, Commercial Agricultural Production, Commercial Fishing, and Commercial Wood Harvesting") and MRS Instructional Bulletin No. 59 ("Farming, Fishing and Wood Harvesting") provide detailed information regarding the commercial agricultural production exemption, including instructions on how to obtain an exemption certificate. The rule includes definitions, explains exclusions to qualifying activities, establishes guidelines for the issuance of the certificate, and places restrictions on the use of the certificate. Although the seller is relieved from the burden of charging a tax at the time of sale (provided that copies of the exemption card and affidavit are on file) the purchaser is subject to audit and will be assessed use tax, including interest and penalties, on any non-qualifying purchases.

A. MACHINERY AND EQUIPMENT. Retail sales of machinery and equipment used directly and primarily in commercial agricultural production qualifies for exemption from sales tax, and sales or use tax paid on purchases of such machinery and equipment may be eligible for refund, provided that the machinery and equipment is depreciable for federal income tax purposes. See 36 M.R.S. § 2013 and MRS Rule 323 for the definitions of "commercial agricultural production," "directly," "primarily," "depreciable," and "depreciable machinery and equipment."

Machinery and equipment commonly used by cultivation facilities that may qualify for this exemption include, but are not limited to, grow lights and tents, timers, fans, soil mixers, sprayers, various tools, transplant machines, and grading tables.

B. FUEL AND ELECTRICITY. Fuel and electricity used in commercial agricultural production and support operations may be purchased exempt from sales tax. See 36 M.R.S. § 2013(3). This exemption is applied on an account basis for fuel purchases and a meter-by-meter basis for electricity purchases. If a single fuel tank or single meter supports both qualifying and non-qualifying activities, tax must be paid to the fuel or utility provider and the purchaser must apply directly to MRS for a refund based on a pro-rated portion of the fuel or electricity used in the qualifying activities.

For purposes of this provision, “support activities” include storage operations, maintenance operations, and related administrative services. Support activities do not include activities unrelated to a cultivation facility.

C. SEED, FEED, AND FERTILIZER. Purchases of seed, fertilizer, defoliants, pesticides, rodenticides, insecticides, fungicides, and weed killers for use in commercial agricultural production are exempt from sales tax. See 36 M.R.S. § 1760(7-B). The exemption does not apply to purchases of items that are not for use in commercial agricultural production. Items purchased for use in a home garden or other noncommercial use are subject to tax. The exemption does not apply to the sale of a growing medium, such as potting soil. For more information, see MRS Instructional Bulletin No. 14 (“Seed, Feed, Fertilizer and Other Items Used in Agricultural and Aquacultural Production”).

5. PRODUCTION (MANUFACTURING)

A products manufacturing facility that prepares adult use cannabis products, such as tinctures or edible products, may be engaged in the production of tangible personal property and certain purchases may be eligible for exemption as items used directly and primarily in production.

As used in this bulletin, the term “manufacturer” means a person engaged in the production of tangible personal property for later sale or lease. “Production” does not include the acquisition of raw materials, storage and handling (pre- and post-production), transportation, or biological processes. (But see Section 4 above for information on “commercial agricultural production.”)

Purchases of machinery and equipment used “directly and primarily” in production, items consumed and destroyed in the production process, and ingredient or component parts of the product being produced may qualify for exemption from sales and use tax. See 36 M.R.S. §§ 1752(2-A), (9-A) and 1760(31), (74). Manufacturers may also claim a sales tax exemption on 95% of the cost of fuel and electricity purchased for use at a manufacturing facility. See Paragraph D below.

For more information on the manufacturing exemptions, including when the production process begins and ends, what types of equipment qualify, and which types of products are considered to

be consumed and destroyed in the production process, see MRS Instructional Bulletin No. 22 (“Manufacturers”) and MRS Rule 303 (“Sales to Industrial Users”).

A. DIRECTLY AND PRIMARILY. To qualify for exemption, production machinery and equipment must be used directly and primarily in the production process. Generally, this means the machinery or equipment will be acting on the raw materials used in production. Depending on the process, exempt machinery and equipment may include, but are not limited to, items such as drying racks.

B. CONSUMED AND DESTROYED. Tangible personal property, other than fuel or electricity, that is consumed and destroyed or loses its identity in the production process is exempt from tax. These are items that have a normal life expectancy of less than one year in the use to which they are applied.

C. INGREDIENTS AND COMPONENT PARTS. Ingredient or component parts of the item being produced are exempt from tax. This category includes all raw materials that get physically converted into, or physically attached to the finished product, including tags and labels.

D. FUEL AND ELECTRICITY USED AT A MANUFACTURING FACILITY. Ninety-five percent of the cost of fuel and electricity used at a “manufacturing facility” is exempt from tax. The remaining 5% is subject to the general sales tax rate. For the purposes of this exemption, a manufacturing facility is a site where production machinery and equipment are located. See 36 M.R.S. § 1752(6-A). This partial exemption includes not only the machinery and equipment used directly in production, but all machinery, equipment, structures and facilities located at the site and used in support of production or associated with the production. This partial exemption applies to all types of fuel, including #2 heating fuel, diesel fuel, oxygen, acetylene, and wood chips.

A manufacturing facility does not include a site at which a retailer is primarily engaged in making retail sales of items that it does not produce itself.

6. PURCHASES

Items purchased by a retailer for use in its business are subject to tax unless a specific exemption or exclusion applies. A cannabis establishment must therefore either pay sales tax, or accrue use tax, on items that do not fall within one of the exempt categories or exclusions explained elsewhere in this bulletin. Taxable items will include, for example, gloves and other articles of clothing, scales and balances, and containers used for storing adult use cannabis and adult use cannabis products.

A. PURCHASES FOR RESALE. A cannabis establishment may purchase items for resale to customers. Items that will be resold in the form of tangible personal property may be purchased without paying tax by providing a copy of a properly completed resale certificate to the seller of such items. See MRS Rule 301 (“Sales for Resale and Sales of Packaging

Materials”) and MRS Instructional Bulletin No. 54 (“Resale Certificates”) for more information on obtaining a resale certificate and making purchases for resale.

B. PURCHASES OF PACKING, PACKAGING AND SHIPPING MATERIALS.

Certain packaging and shipping materials that go with the product to the customer may be purchased exempt from tax. See 36 M.R.S. § 1760(12-A). Examples include bags, twine, tape, containers, and labels. Retailers should provide their vendor with a resale or exemption certificate to make a tax-free purchase of packaging materials.

Purchases of packaging materials used by a business to transport its own goods from one location of the business to another location of the business or used to store goods in inventory are taxable to the retailer. For more information, see MRS Rule 301 (“Sales for Resale and Sales of Packaging Materials”) and MRS Instructional Bulletin No. 23 (“Packing, Packaging and Shipping Materials”).

C. WITHDRAWALS FROM INVENTORY. When tangible personal property purchased for resale is withdrawn from inventory for the retailer’s own use, use tax accrues at the time of withdrawal and at the tax rate applicable to the item withdrawn. Withdrawals of adult use cannabis or adult use cannabis products from inventory, including samples provided to other cannabis establishments for marketing purposes, would be subject to use tax at the rate of 10%. See MRS Instructional Bulletin No. 39 (“Sale Price Upon Which Tax is Based”) for more information.

D. FREE GIFTS TO CUSTOMERS. Retailers at times give away promotional products. For example, a retailer may give a free t-shirt to a new customer. In these instances, the retailer is responsible for paying use tax on the cost of the goods given away. Gifts of general merchandise are subject to use tax at the general sales tax rate. Gifts of prepared food are subject to use tax at the higher, “prepared food” rate. Samples of adult use cannabis or adult use cannabis products to consumers are subject to use tax at the adult use cannabis sales tax rate. See MRS Instructional Bulletin No. 39 (“Sale Price Upon Which Tax is Based”) for more information on free gifts and discounts.

7. REPORTING AND PAYMENT OF TAX

Sales and Use Tax returns must be filed on a monthly basis, except that those retailers whose average tax liability is less than \$600 per month may request authorization to file on a less frequent basis. Tax returns are due on the 15th of the month immediately following the reporting period. If the 15th of the month falls on a weekend or holiday, the return is due on the next business day. Payment of the amount due must be made when the return is filed. See MRS Rule 304 (“Sales Tax Returns and Payments”) for more information.

Tax returns are required to be filed electronically on the Maine Tax Portal (revenue.maine.gov). Retailers unable to electronically file their tax returns may request a waiver from MRS to file paper returns. See MRS Rule 104 (“Filing of Maine Tax Returns”) for more information.

8. ADDITIONAL INFORMATION

The information in this bulletin addresses some of the more common questions regarding the Sales and Use Tax Law as it applies to sales of adult use cannabis and related products. It is not intended to be all-inclusive. Guidance for specific situations related to Sales and Use Tax can be obtained by contacting the Sales Tax Division at sales.tax@maine.gov.

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Adult Use Cannabis Program regulations and application materials are available at www.maine.gov/dafs/ocp. Questions regarding the Cannabis Legalization Act and the Adult Use Cannabis Program should be directed to the Office of Cannabis Policy at (207) 287-3282. A written request can be mailed to:

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