UBCM Position on Excise Tax Revenue Sharing

Director Wendy Booth
UBCM President & JCCR Member
Federal decision to impose a cannabis excise tax of $1 per gram or 10% of the final retail price (whichever is higher).

- Applies to medical and non-medical cannabis.
- Provincial and territorial sales taxes will be applied on top of the federal excise tax.

LDB will apply a 15% mark-up on the landed cost of cannabis distributed throughout the Province.
All provinces and territories have agreed to the Federal-Provincial-Territorial Agreement on Cannabis Taxation.

Sees 25% of all taxation revenue (to a maximum of $100 million annually) retained by the federal government.

The federal share was reduced from 50% to 25% in recognition of the costs and responsibilities that will fall to local governments.
Financial Projections

- Federal government is projecting $400 million in excise taxation revenue per year for the first two years.
- The Province of British Columbia is estimating that it will receive $125 million in excise taxation revenue over a two year period.
1) Cannabis legalization should not result in additional local government funding by property taxpayers.

2) Local governments should be reimbursed for costs associated with the implementation of legalized cannabis.

3) Local governments should be reimbursed for any additional policing costs resulting from cannabis legalization.

4) Remaining excise tax revenue (after taking out expenses incurred as part of principles 1-3, and the federal share) should be shared between the Province of BC and local governments.
Completed Agreements

Quebec
- Projecting $73 million in excise tax revenue over first two years.
- $20 million will be transferred to local governments.
- Province expects to spend $42 million on public safety enhancements.

Ontario
- Projecting $100 million in excise tax revenue over first two years.
- $40 million will be transferred to local governments.
- 50% transferred up front, with the remaining balance transferred after the first year of legalization.
STRATEGY PART 1: Short-Term Recommendations

• For the initial 24-month period following legalization.
• The Province commits 40% of its projected cannabis excise tax revenue to local governments.
• 50% of this amount ($25 million) to be provided up front.
• Revenue in excess of the projected $125 million to be shared 50-50.
• LG revenue shall not be reduced (i.e. clawed back) for any reason.
• Revenue distributed to BC local governments on a per capita basis.
  -- All municipalities and RDs will receive a minimum of $10,000.
• A process will be developed for tracking of costs on an ongoing basis.
STRATEGY PART 2: Long-Term Recommendations

- Explore the following options for a long-term agreement beyond year 2:
  A) Continue with the short-term framework, or
  B) Determine potential to increase the provincial sales tax on cannabis from 7% to not more than 10% with this portion going to LGs.
- Consider developing a reporting template for cannabis related costs.
- Ensure a long-term agreement provides certainty for LGs, and is not considered a provincial grant.
- Allow for revenues in excess of reported incremental costs to be used for projects that are dedicated to improving community health, including programs and infrastructure.
Therefore be it resolved that UBCM advance its short- and long-term strategy for cannabis excise tax revenue sharing to the Province of British Columbia for the purpose of negotiating a provincial-local government revenue sharing agreement.

**background information and whereas clauses available online and in the ‘Additional Resolutions’ book**
UBCM has provided a summary of its recommendations, and requested a meeting with Minister Carole James.
1) All presenters are available to answer questions (from local government representatives only) until 2:45 pm.

2) Following the conclusion of the FCM address (2:45 – 3:00 pm), representatives from the LDB and LCRB will be available at the head table to answer questions from local government representatives only.