

UBCM Position on Excise Tax Revenue Sharing

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Taxation of Cannabis

- ◆ 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.

Federal-Provincial Agreement

- ◆ 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.

UBCM's Approach

- 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.

UBCM Tax Sharing Strategy

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.

UBCM Tax Sharing Strategy

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.

Resolution 2018-SR1

SR1 Cannabis Excise Tax Revenue Sharing with Local Governments

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

Next Steps

UBCM has provided a summary of its recommendations, and requested a meeting with Minister Carole James.

Conclusion

- 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.