



Report to Council From the Office of Councillor Kyla Knowles

Date: February 20, 2023

Subject: LMLGA Resolution – Provincial Cannabis Tax Sharing With Municipalities

Purpose

To request that the BC Provincial Government commence revenue sharing of cannabis tax revenues as expected by the Federal Government, in connection with its own cannabis tax revenue sharing arrangement with Canadian provinces.

Recommendation

THAT the report dated February 20, 2023 from Councillor Knowles regarding provincial cannabis tax sharing with municipalities be received for information;

AND THAT Council advance the following resolution to LMLGA for the 2023 convention:

WHEREAS the Canadian federal government has clearly stated its expectation that provincial cannabis tax revenue be shared with local governments and such revenues are currently being shared between the provinces and municipalities in Ontario, Quebec, and Alberta, but not in British Columbia, and

WHEREAS the legalization of cannabis has resulted in significant cost increases to municipalities for licensing, policing and addiction services,

THEREFORE, BE IT RESOLVED THAT the Province share up to 50% of provincial revenues generated from the production and sale of cannabis products with BC municipalities, in recognition of the increased role and costs to municipalities as a result of cannabis legalization and compensating them accordingly.

Background

The federal government legalized the sale of cannabis products for recreational use in 2018. Currently, cannabis-specific tax revenue is split 75/25 between the federal and provincial governments, with the federal government having agreed to a \$100M cap on its share of the revenue. The provincial governments of Ontario, Quebec and Alberta have all passed on a share of those tax revenues to municipalities, as originally intended by the federal government, which stated its expectation that one third of provincial and territorial governments' shares are to

be given to municipalities. (Source: <https://www.budget.canada.ca/2018/docs/plan/chap-04-en.html>)

For example, in Ontario, consumers pay 13% HST on cannabis purchases. Ontario's cannabis excise taxes during 2021-2022 totaled \$215M, twice that of the year before. This equated to a sales tax collection of approximately \$184M. Upon cannabis becoming legal in 2018, the Ontario provincial government committed to sharing 40% of its revenue from the federal excise duty on recreational cannabis to the municipalities that have allowed retail cannabis stores, with any revenue exceeding \$100M being shared 50/50 with municipalities, for a term of two years. (Source: <https://www.amo.on.ca/advocacy/strategic-priorities/ontario-releases-remainder-municipal-cannabis-funding>)

As at May 2022, the Province of BC had collected \$91.3M in PST on cannabis sales, with consumers paying 12% GST/PST on such purchases. (Source: <https://www.cbc.ca/news/canada/british-columbia/b-c-has-received-more-than-112m-in-excise-cannabis-taxes-none-has-gone-to-municipalities-1.6489904>)

It is proposed that Port Moody City Council pass a resolution urging the BC Ministry of Finance to commence long-awaited and promised cannabis tax revenue sharing with municipalities immediately, using a similar sharing ratio as that currently employed by the federal and provincial governments.

Other Option(s)

THAT the report dated February 20, 2023 from Councillor Kyla Knowles titled Provincial Cannabis Tax Sharing with Municipalities be received for information.

Financial Implications

If successful, the City of Port Moody would be entitled to claim significant new revenues from the Provincial government, with exact funding to be determined based on the agreed sharing arrangement.

Communications and Civic Engagement Initiatives

None.

Council Strategic Plan Objectives

This Council has prioritized fiscal responsibility, resilience and bringing new revenues to the City of Port Moody. This resolution is in service to that objective.