

The Marijuana Tax Fund



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Different takes for different provinces as Canada moves to legalize pot

By Andy Blatchford The Canadian Press

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Municipal leaders from across the territory are gathering in Faro to talk about the big issues facing communities this weekend.

By Stephanie Waddell on May 11, 2017



Marijuana Taxes Are Fixing Big Problems For Cities

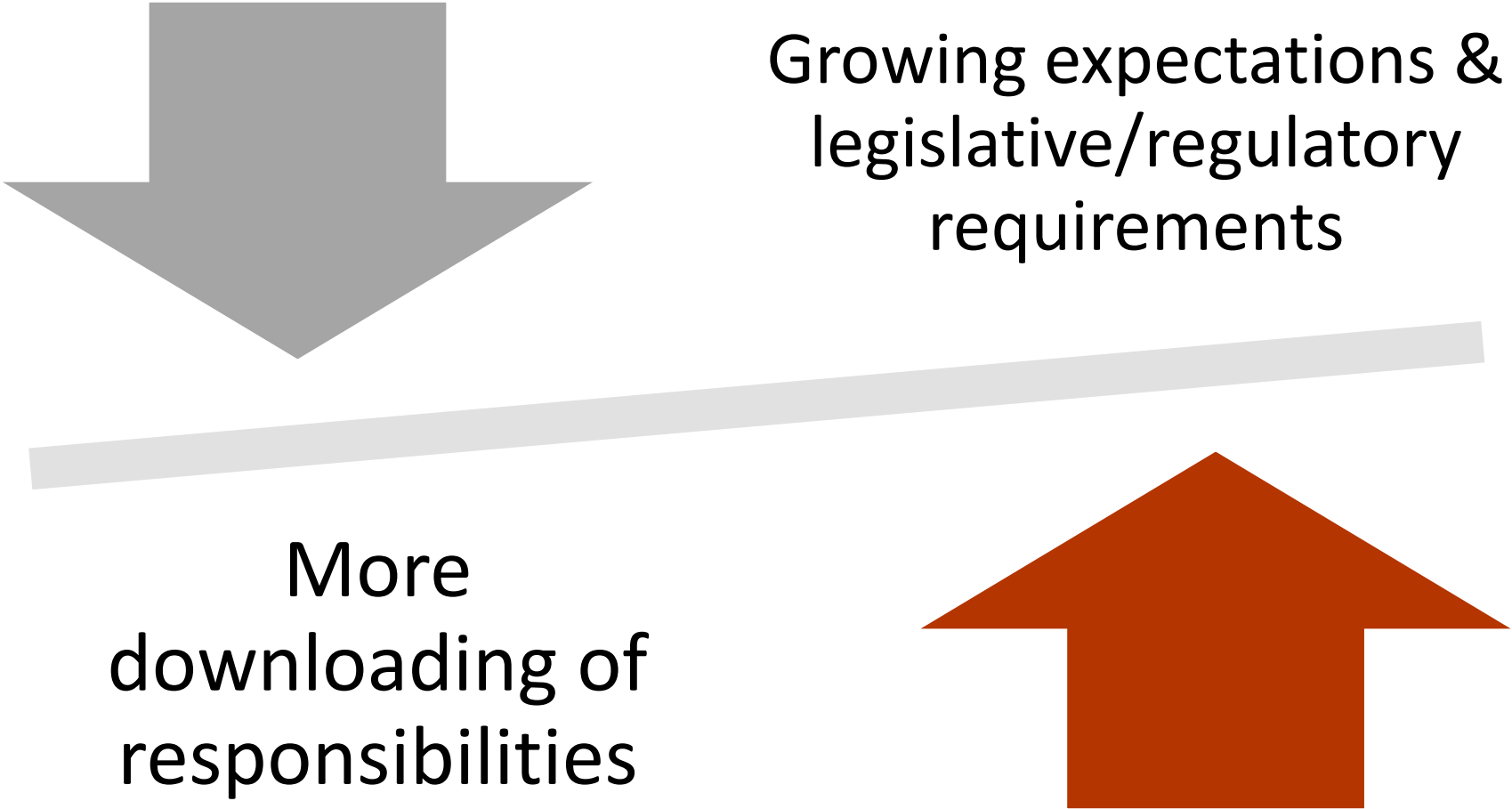
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News / Calgary

Pot policy moving too fast for municipalities: Calgary councillor

Municipal legislators in Calgary say they want the federal government to slow their roll when it comes to weed legalization

The Municipal Environment: Revenues constrained & program costs up



Where do the costs land & who realizes the benefits of the Marijuana Legalization?

- Most of the financial benefits of legalization will go to senior levels of government
- Most of the costs of legalization such as policing, licensing, municipal planning, local health units, etc. will fall to municipalities
- These additional responsibilities, as well as the need for alternative sources of revenue justify the need for the diversification of municipal revenue opportunities from marijuana legalization



How the Marijuana Tax Fund Works

- A federal-provincial/territorial per capita transfer payment
- The provinces/territories can apportion the funds among their respective municipalities
- A grant be given to municipalities from the sale of marijuana – based on population



Sounds ambitious – but it is viable

Two Policy Precedents:

- **Casino Revenue Sharing Fund (ON)**
 - Funds are paid to host communities via a “Municipal Contribution Agreement”
 - Province created a funding formula based on casino revenues
 - Funds received fluctuate year to year based on casino net revenue
- **Federal Gas Tax Fund**
 - Provides a long-term and stable revenue stream for municipalities
 - Ensures that the federal transfer is a net benefit and not affected by provincial withdrawal
 - Funds distributed through Gas Tax Transfer Agreements – on a per capita basis

The Marijuana Tax Fund is a Hybrid

**Taking existing policy instruments and re-
profiling them into this revenue stream**

Projected Resident Cannabis Consumption Volume in Canada, at Various Average Legal and Illicit Prices, Middle Estimate, 2018 (metric tons)



Source:
PBO Report, Nov. 2016

Projected HST/GST/PST Revenues from Resident Cannabis Consumption in Canada, Middle Estimate, 2018 (\$ millions)



Source:
PBO Report, Nov. 2016

Projected Total Resident After-tax Cannabis Expenditure in Canada, at Various Average Legal and Illicit Prices, 2018 (\$ billions)

		Legal Market Average Price per gram									
		\$6.00	\$7.00	\$8.00	\$9.00	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00
Illicit Market Average Price per gram	\$5.00	4.4 (2.5-6.9)	4.7 (2.7-7.3)	4.7 (2.7-7.3)	4.8 (2.8-7.5)	4.9 (2.8-7.6)	4.8 (2.8-7.5)	4.7 (2.7-7.3)	4.6 (2.6-7.1)	4.4 (2.5-6.8)	4.2 (2.4-6.6)
	\$6.00	4.6 (2.7-7.2)	4.9 (2.8-7.7)	5.1 (3.0-8.0)	5.2 (3.0-8.1)	5.3 (3.0-8.2)	5.3 (3.0-8.2)	5.2 (3.0-8.1)	5.1 (2.9-7.9)	5.0 (2.9-7.7)	4.9 (2.8-7.5)
	\$7.00	4.6 (2.7-7.2)	5.1 (2.9-7.9)	5.4 (3.1-8.3)	5.5 (3.2-8.6)	5.6 (3.2-8.6)	5.6 (3.2-8.7)	5.6 (3.2-8.7)	5.5 (3.2-8.6)	5.4 (3.1-8.4)	5.3 (3.1-8.3)
	\$8.00	4.6 (2.7-7.2)	5.1 (2.9-7.9)	5.5 (3.2-8.6)	5.7 (3.3-8.9)	5.9 (3.4-9.1)	5.9 (3.4-9.1)	5.9 (3.4-9.1)	5.9 (3.4-9.1)	5.4 (3.3-9.0)	5.7 (3.3-8.8)
	\$9.00	4.6 (2.7-7.2)	5.1 (3.0-7.9)	5.5 (3.2-8.6)	5.8 (3.4-9.1)	6.0 (3.5-9.3)	6.1 (3.5-9.5)	6.1 (3.5-9.4)	6.1 (3.5-9.4)	6.0 (3.5-9.3)	5.9 (3.4-9.2)
	\$10.00	4.6 (2.7-7.2)	5.1 (3.0-8.0)	5.5 (3.2-8.6)	5.8 (3.4-9.1)	6.1 (3.5-9.5)	6.2 (3.6-9.6)	6.2 (3.6-9.7)	6.2 (3.6-9.6)	6.2 (3.6-9.6)	6.1 (3.5-9.5)

Source: PBO Calculations

Revenue calculations

- Based on PBO report, medium case for sales and pricing will realize \$404 M/yr. in taxation revenue
- Divided by Canadian population of 36M
- \$11.22/capita annually

How much \$ could your municipality receive?

- Small rural municipality
- Population 10,000
- You could get \$112,000* if 100% of the marijuana tax revenue went to municipalities
- If 50% - \$56,000*
- If it was split between all 3 levels - \$37,000*

How much \$ could your municipality receive?

- mid-sized municipality
- Population 100,000
- You could get \$1.12 M* if 100% of the marijuana tax revenue went to municipalities
- If 50% - \$560,000*
- If it was split between all 3 levels - \$370,000*

How much \$ could your municipality receive?

- large-sized municipality
- Population 1,000,000
- You could get \$11.2 M* if 100% of the marijuana tax revenue went to municipalities
- If 50% - \$5.6 M*
- If it was split between all 3 levels - \$3.7 M*

RECAP

1. Marijuana tax is a new revenue source, not re-profiling an existing source of revenue
2. Majority of service implications and cost will be borne at the local level
3. Majority of benefits will be realized by senior levels of gov't.
4. Policy framework exist for this proposed funding model
5. Establish precedent that new responsibilities should be accompanied by new revenue sources

Call to Action

Municipalities can be proactive to ensure the Marijuana Tax Fund is implemented in the following ways:

1. Municipal staff can write an information report to Council on marijuana legalization and its effects on your municipality
2. Organize meetings with your area MP and MPP and discuss the need for equitable distribution of marijuana tax revenue
3. Request delegations with the Minister of Justice, Minister of Health and Minister of Public Safety at conferences
4. Pass a Council Resolution supporting the Marijuana Tax Fund model and distribute to all municipalities and upper levels of government

The Marijuana Tax Fund

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Questions?