

November 24, 2017

Honourable Bill Morneau
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario
K1A 0G5

Dear Minister Morneau,

RE: Input on the Proposed Excise Duty Framework for Cannabis Products

The date for the legalization of recreational cannabis is quickly approaching as federal and provincial legislation begins to take shape. One important aspect of the legalization process relates to taxation. Cannabis-related taxes must be set at a level which allows the legal cannabis market to effectively supplant the current illicit market, while providing municipal, provincial/territorial, and federal levels of government with revenues to partly off-set costs linked to legalization.

Many rural municipalities in Alberta have yet to begin the planning and design of relevant municipal components such as amending bylaws and land-use policies due to limited capacity and resources, and uncertain provincial and federal regulatory details. Municipalities expect to face significant costs associated with both planning and implementation, and the Alberta Association of Municipal Districts and Counties (AAMDC) is concerned with the lack of consideration of municipalities in the excise tax discussion to this point.

As the Federation of Canadian Municipalities (FCM) outlined in a letter to the Minister of Finance on November 2, 2017, there is a need for federal leadership to ensure that new capacities are developed among all orders of government before legalization commences. Specifically, municipalities require proper information, funding and capacity support to effectively implement and enforce cannabis legalization.

The AAMDC agrees with the FCM's position that the federal government should provide support for municipal start-up costs for the legalization of recreational cannabis, and take into consideration the limitations of rural and remote municipalities in implementing changes to municipal bylaws, policies, and licensing/enforcement requirements without assistance from other levels of government.



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In addition to pre-legalization costs, rural municipalities will face long-term costs associated with educating and training employees and law enforcement officials as research and information becomes available in the years to come, especially regarding health impacts and advances in technology in drug-impairment testing. Revenue gathered through the excise tax has the potential to support municipalities in these post-legalization costs.

The AAMDC does not have a specific position on what taxation formula would best serve all levels of government. However, the AAMDC recommends that the federal government reserve a portion of the excise tax collected to support rural and remote municipalities in implementing, administering and enforcing recreational cannabis legalization after July 2018.

In addition to the need for a portion of the excise tax to directly support municipal implementation costs, the AAMDC is concerned that the proposed 50/50 split of tax revenues between the federal government and provinces/territories does not reflect actual implementation costs. As provinces/territories are responsible for all aspects of distribution and retail sales, their costs will likely be quite high. For example, the Government of Alberta will be required to adapt their current wholesale alcohol distribution system to also distribute cannabis, which carries significant training, personnel, equipment and infrastructure costs. The AAMDC strongly recommends that the Government of Canada consider the costs of both municipalities and provinces/territories when finalizing the distribution of the excise tax.

The AAMDC appreciates the opportunity to provide feedback to the Government of Canada regarding the proposed excise duty framework for cannabis products.

Yours sincerely,

Al Kemmere
President

cc. Kathleen Ganley, Minister of Justice and Solicitor General
Jenny Gerbasi, President, Federation of Canadian Municipalities