



Municipality of Wawa Staff Report

Director of Community Services and Tourism
CAO-Clerk, Economic Development

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Municipal Accommodation Tax (MAT) in Wawa

This report provides an overview of implementing a Municipal Accommodation Tax (MAT) and seeks Council's direction that staff continue to explore the implementation of a MAT tax in Wawa in 2024 and engage with local accommodation stakeholders regarding the proposed 4% MAT program and report back to Council in the Fall with a recommendation.

Report Recommendations

THAT Council support a Resolution at the next Regular Meeting directing the following;

- 1) THAT the report "Municipal Accommodation Tax (MAT) in Wawa" be received;
- 2) THAT staff be authorized to engage with stakeholders, the motel/hotel and short-term accommodation industry regarding the potential of a 4% Municipal Accommodation Tax (MAT) in Wawa;
- 3) THAT staff be directed to research the business case for creating a Municipal Services Corporation (MSC), which could operate as a New Tourism Organization to receive 50% of the MAT or the benefits and options for a third-party agreement;
- 4) THAT after the consultation with stakeholders, staff to report back to Council with recommendations on the implementation of a Municipal Accommodation Tax (MAT) in the Municipality of Wawa; and,
- 5) THAT staff be authorized and directed to do all things necessary to give effect to this Resolution.

Relevance to Wawa Strategic Plan

Included in the Wawa Strategic Plan as TED-8, a key priority was to implement a MAT in 2023. The Five-Year Wawa Tourism Plan also made the same recommendation.

Purpose of Report

The implementation of a Municipal Accommodation Tax (MAT) in Ontario municipalities has become a common practice across Ontario as a method to raise monies to specifically support tourism and economic diversification. Communities such as Chapleau, Marathon and Sault Ste. Marie have implemented such a tax. This report requests that Council direct staff to continue to investigate the benefits of A MAT tax in Wawa and through public engagement, ensure community buy-in.

The purpose of this report is to:

- 1) Provide Council with information pertaining to the Province's Transient Accommodations Tax legislation (referred to as a Municipal Accommodation Tax);
- 2) Provide Council a summary of MAT programs implemented and/or considered in other municipalities; and,
- 3) Request that Council authorize staff to engage with stakeholders and the hotel industry regarding the potential of a 4% Municipal Accommodation Tax in Wawa.

Background

MAT Background

The Province of Ontario passed Bill 127: Stronger, Healthier Ontario Act (Budget Measures) 2017, which amended the Municipal Act, 2001 (the "Act") to provide lower or single tier municipalities in Ontario with the authority to levy a transient accommodations tax. Since then, many municipalities have implemented the Municipal Accommodation Tax (MAT) at a 4% tax rate.

The legislation provides that the tax fee collected, which the Municipality may set at any rate with 4% being the average, may be applied to accommodations of less than 30 consecutive days and includes accommodations at hotels, motels, motor hotels, lodges, inns, resorts, bed and breakfasts, or other establishment providing lodging including those sold through online platforms.

The tax is collected by the accommodation provider at the time of booking or check-in and is remitted to the municipality on a regular basis. The municipality is responsible for using a minimum of 50% of the revenue generated from the tax to support tourism-related activities such as marketing, promotion, and infrastructure development, while the remainder can be used for general municipal activities unrelated to tourism. These funds must be transferred to an “eligible tourism entity”, which could be a third-party entity, or a corporately created not-for-profit with a local tourism/economic development mandate. The funds cannot be given to an internal municipal department.

Each municipality that chooses to implement a MAT can determine the types of accommodation the tax would apply to. Stays of 29 days or less could be considered for the tax. Regulations under the Municipal Act do not define transient accommodation, providing the municipality with flexibility on how and what types of short-term accommodation the tax would apply to.

MAT Revenue

Initial staff estimates are that the MAT tax would provide a substantial non-tax revenue source for tourism development and the Municipality. Based on the number of rooms in local accommodations, including short-term rentals, using a 50% annual occupancy rate, staff conservatively suggests that a MAT tax would generate \$500,000 annually.

The revenue derived from the MAT is paid for by overnight short-term accommodation users and not from local taxpayers or the businesses involved. It is also a revenue that is not easily raised by municipalities from any other source of funding in Ontario.

MAT Impact

The main impact of the MAT on accommodation operators is an increase in time to collect and remit the tax funds to the Municipality.

A Municipality may set-out the times for the revenue to be collected, to minimize the impact to local operators, it is proposed that the revenue and required reporting be submitted quarterly to the Municipality, instead of monthly. More research is required as well as input from local operators to determine the best approach.

There would have an impact on administrative time required at the Municipality. Staff would have to monitor, collect, distribute and enforce collections of any non-submitters. It is believed that staff could accommodate the extra workload at this time, pending a better understanding of the time required.

MAT Considerations

A MAT tax only applies to the fees charged for lodging and does not include any other charges. HST must be added to the MAT tax by the accommodations and all fees collected submitted to the Municipality.

A MAT tax would not apply to these accommodations:

- An accommodation rental or a period of more than 30 consecutive days by the same person.
- Provided by hospitals, long term care facilities, and retirement homes.
- Provided by shelters, treatment centres and similar.
- Provided at tent and trailer sites.
- Purchased by the Province of Ontario or School Boards.

Should Council determine that a MAT should be issued in the community, a by-law would be required that would cover the following matters;

- i. exemptions from the tax;
- ii. rebates of tax;
- iii. penalties for failing to comply with the by-law;
- iv. interest on outstanding taxes or penalties;
- v. audit and inspection powers;
- vi. the establishment and use of dispute resolution mechanisms;
- vii. the establishment and use of such enforcement measures if an amount assessed for outstanding tax, penalties or interest remains unpaid after it is due, including measures such as garnishment, the seizure and sale of property and the creation and registration of liens; and
- viii. if the collection of taxes and the administration and enforcement of the by-law imposing the taxes should be undertaken by the Municipality or an agent.

MAT Best Practices

The information provided below is a summary of some recommended considerations by other communities who have implemented MAT Taxes;

- Give the process the time that it requires, a MAT should not be a rushed decision as it requires a clear vision, strategy and support from multiple stakeholders;
- Accommodation and tourism industry stakeholder feedback and engagement is essential to ensure a successful and collaborative process;
- Ensure that Council's vision for implementing MAT is aligned with the objectives and goals of the local tourism industry;
- Ensure that the purpose of implementing MAT and for promoting tourism is well understood and supported by residents and stakeholders;
- Establish a clear understanding and manage expectations regarding how the MAT revenue will be used;
- Develop a collaborative Plan to guide tourism marketing decisions and consider creating a Municipal Accommodation Tax Advisory Committee or using EDTAC for this purpose;

- Create a communications plan and develop clear MAT FAQ's and information sheets that can be provided to local accommodation providers and overnight guests; and
- Do not phase in the implementation of MAT as it should be applied consistently to all transient accommodation providers equally to ensure fairness.

Attached to this report as Appendix "A" is a Tourism Industry Association (TIAO) power point proving more detailed information on a MAT tax.

Next Steps

Should Council direct staff to move forward with further investigation and planning of the MAT, the following is a high-level overview of the steps staff will take before implementation:

- **Research**
 - Complete best practice research
 - Confirm tourism entity partner*
 - Provide draft budget for allocation of funds
- **Communications Plan**
 - Communicate with and educate stakeholders
 - Report to Council with Implementation Plan
 - Host information events
- **Implementation**
 - Develop policies and procedures for staff to implement
 - Determine critical paths and dates
 - Recommend MAT By-law to Council

Revenue Sharing with Tourism Entity

Fifty percent (50%) of the MAT revenue collected must be shared with an eligible tourism entity partner. Staff are examining possible options which will best consider municipal goals for the funding which include:

- Forming a new municipal not-for-profit corporation;
- Partnering with a third-party and creating an MOU for use of funds. For example, SECFDC or EDC of Wawa may be options.

The Municipality can set-up a dedicated reserve fund for the MAT revenue prior to an eligible tourism entity being determined to move the MAT forward at without delay. Staff will report back to Council with the recommended third-party option at a future meeting after consultation with stakeholders.

Financial/Staffing Implications

The estimated annual revenue resulting from the implementation of a MAT would vary from year to year and depend on the number of accommodations occupied. Based on 2022 data, staff estimate about \$500,000 per year would be generated.

The municipality is responsible for using a minimum of 50% of the revenue generated from the tax to support tourism-related activities such as marketing, promotion, and infrastructure development, while the remainder can be used for general municipal activities unrelated to tourism.

The amount of staff time required to administer the MAT would increase current workloads, particularly in the finance department and in Year One. It is assumed that existing staff can accommodate the new administrative work. New staff may be required in the future, and the MAT tax revenue could be used to fund any additional staff required to administer the tax.

Council Options

Option A: Do not move forward with further MAT investigation

This option would see Council discontinue pursuing a MAT. This option does not take advantage of a new revenue source that would greatly offset and assist the Municipality in better serving its ratepayers.

Not Recommended.

Option B: Move forward with MAT investigation

This option would see Council direct staff to invest more time into researching and developing a MAT for Wawa. This option does not yet recommend the adoption of a MAT; however, it has staff do more work towards implementation and will result in a final report back to Council with a recommendation and draft bylaw for the MAT.

Recommended.

Conclusion

By accepting this recommendation, Council is providing staff the direction to further research the MAT and report back on its possible implementation. This action follows the recommendations of both the Municipal Strategic Plan as well as the Tourism Action Plan.

Attachments

A) TIAO Accommodation Tax Presentation

Respectfully Submitted By;

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MAT Overview & Implementation Considerations

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NOVEMBER 2022

Agenda

- ▶ A Bit About TIAO
- ▶ Overview of the Municipal Accommodation Tax (MAT)
- ▶ Examples of MAT Collection Arrangements
- ▶ Examples of Tourism Entity Arrangements
- ▶ MAT Implementation Challenges
- ▶ Conclusion

- ▶ ***DISCLAIMER: This presentation is not legal advice and only presents a brief overview of MAT structures and issues.***

WHO IS TIAO?



A MEMBER BASED ORGANIZATION WHOSE PRIMARY MANDATE IS TO BE THE LEADING AUTHORITY ON BUSINESS AND POLICY ISSUES AFFECTING THE ONTARIO TOURISM INDUSTRY.



WE ADVOCATE WITH A UNIFIED VOICE ON BEHALF OF THE DIVERSE TOURISM INDUSTRY IN ONTARIO TO POSITION THE INDUSTRY AS A POWERFUL AND RECOGNIZED ECONOMIC DRIVER.

Overview of the Municipal Accommodation Tax (MAT)

- ▶ In 2017, the province enacted [O. Reg. 435/17 \('Transient Accommodation Tax\)](#), which granted municipalities the authority to implement a MAT if they choose to
- ▶ **Purpose of the MAT**
 - ▶ To support tourism growth and development in communities
 - ▶ MAT tourism dollars go to attracting more visitors, developing tourism infrastructure to enhance growth, enhancing tourism offerings
- ▶ **MAT Benefits**
 - ▶ Diversified income: Provides a non-governmental source of income (visitor dollars) that directly supports tourism promotion & development
 - ▶ Promotes economic resilience of local tourism economies
 - ▶ Amplifies existing tourism investments

Overview of the Municipal Accommodation Tax (MAT)

▶ **Scope of the MAT**

- ▶ Can only be applied to visitor stays of less than 30 days
- ▶ Only applies to the accommodation portion of the receipt
- ▶ HST is charged on the MAT
- ▶ If imposed by a municipality, MAT is mandatory and must be paid by all applicable accommodation providers
- ▶ MAT design is at discretion of the municipality
- ▶ Municipalities are responsible for enforcing MAT collection and remittance

▶ **Exemptions from MAT?**

- ▶ College & university dorm rooms (at all times). All other exemptions are at the discretion of the municipality

Overview of the Municipal Accommodation Tax (MAT)

▶ **Recommended MAT %?**

- ▶ None. Most municipalities with a MAT have adopted a 4% MAT

▶ **Revenue-Sharing**

- ▶ If no destination marketing program/fund (DMP/DMF) exists prior to the MAT, 50% of the MAT revenues (less any collection & admin costs) must go to the designated tourism entity
- ▶ Tourism entities can negotiate to receive more than 50% of MAT revenues
- ▶ MAT revenues must be paid to the tourism entity no more than 60 days after the end of the fiscal year

Overview of the Municipal Accommodation Tax (MAT)

▶ **Tourism Entity & Portion of MAT**

- ▶ Tourism entity must be a not-for-profit org whose mandate includes tourism promotion in Ontario or in a municipality
- ▶ Their portion of MAT must be spent on activities that promote tourism, which includes the development of tourism products

▶ **Restrictions on Municipal Portion of MAT?**

- ▶ No. The municipality retains discretion on how to spend its portion of MAT revenues
- ▶ How the municipality spends its portion of the MAT should be part of the negotiations and agreement between the municipality and tourism entity

Examples of MAT Collection Arrangements

▶ **City Collects MAT**

- ▶ The municipal government collects the MAT from accommodators, retains its portion (if applicable), and remits the agreed-upon MAT portion to the tourism entity
- ▶ E.g., Toronto, Windsor, Cambridge, Niagara Falls, Prince Edward County

▶ **Tourism Entity Collects MAT**

- ▶ The tourism entity collects the MAT from accommodators on behalf of the municipality
- ▶ It remits the agreed-upon MAT portion to the municipality and retains its share
- ▶ E.g., Tourism Barrie

Examples of MAT Collection Arrangements

- ▶ **Upper Tier Municipality Collects MAT**
 - ▶ Regional municipality collects MAT on behalf of lower-tier municipality
- ▶ **Third-Party Agency Collects MAT**
 - ▶ Third-party collects all or some of the MAT from accommodators and remits agreed-upon MAT portions to the municipality and tourism entity
 - ▶ E.g., ORHMA (Ontario Restaurant Hotel & Motel Association) collects for London, Sarnia-Lambton, Waterloo, Peterborough
 - ▶ E.g., OGHA (Ottawa Gatineau Hotel Association) collects for Ottawa
 - ▶ E.g., NFCCHA (Niagara Falls Canada Hotel Association) collects for Niagara Falls

Examples of MAT Collection Arrangements

- ▶ **Third-Party Agency Collects MAT & Retains MAT Portion**
 - ▶ More than one tourism entity receives the MAT and the third-party agency is one of the tourism entities
 - ▶ Third-party agency collects all or some of the MAT from accommodators, retains its own agreed-upon portion, and also remits the agreed-upon portions to the other tourism entity and the municipality
 - ▶ E.g., Kingston Accommodation Partners (KAP) & City collect for Kingston. KAP remits MAT to City and Tourism Kingston and also retains a portion.

Examples of Tourism Entity Arrangements

- ▶ **"Eligible Tourism Entity"**

- ▶ "a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality" (O. Reg. 435/17)

- ▶ **Tourism Entity is a Tourism-Focused Organization**

- ▶ Arm's length or independent from City; local or regional tourism focus
- ▶ Includes many DMOs or tourism associations existing prior to MAT
 - ▶ E.g., Destination Toronto, Ottawa Tourism, Niagara Falls Tourism, Muskoka Tourism
- ▶ Includes tourism divisions that were formerly located within the City but were made dedicated, separate DMOs to handle tourism needs
 - ▶ E.g., Prince Edward County, Brockville, Halton Hills, Bay of Quinte, 1000 Islands

Examples of Tourism Entity Arrangements

- ▶ **Tourism Entity is NOT a Tourism-Focused Organization**
 - ▶ Tourism entity is part of a larger organization that does not have a tourism focus
 - ▶ Arm's length or independent from City; local or regional
 - ▶ Can include chambers of commerce (must have tourism promotion focus)
 - ▶ E.g., Sioux Lookout Chamber of Commerce
 - ▶ Can include tourism divisions within the City (i.e., have been made legally separate entities)
 - ▶ Can include economic development agencies with varying degrees of independence from City

Examples of Tourism Entity Arrangements

- ▶ E.g., Tourism Sault Ste. Marie is a division of the Sault Ste. Marie Economic Development Corporation, which is under the management of the City
- ▶ E.g., Tourism Thunder Bay is a division of the Thunder Bay Community Economic Development Commission, which is an arm's length corporation led by an independent board with core funding from the City
- ▶ E.g., Peterborough & the Kawartha Tourism (PKT) is a division of Peterborough & the Kawartha Economic Development (PKED). PKED is a not-for-profit regional economic development agency – delivers economic development & tourism services through MOU with the City and County
- ▶ **This presentation cannot speak to the precise structural/legal arrangements of the examples mentioned above; please consult the tourism entities directly for details*

MAT Implementation Challenges

- ▶ Challenges in MAT implementation reported by large and small municipalities, due in large part to the Transient Accommodation Tax legislation
 - ▶ Too much latitude provided to municipalities, too little guidance
- ▶ **Challenges Striking MAT Agreements with STR Platforms**
 - ▶ MAT collection is the responsibility of municipalities, therefore municipalities must enter into MAT collection agreements with STR platforms – problem for small municipalities
 - ▶ Overseas head offices of STR platforms (Airbnb, Vrbo, etc.) difficult to reach and deal with
 - ▶ Airbnb has stopped entering into MAT agreements with municipalities – prefers to negotiate directly with province, not 444 municipalities

MAT Implementation Challenges

▶ **Challenges Striking MAT Agreements with STR Platforms (cont'd)**

- ▶ In absence of blanket MAT agreements with STR platforms, municipalities left to go after individual STR operators to collect & remit MAT – costly and ineffective
 - ▶ Toronto & Ottawa have reported challenges here

▶ **Challenges Enforcing MAT among STRs**

- ▶ No provincially legislated mechanism to compel all applicable accommodators to collect & remit MAT as required
- ▶ Provincial legislation as written is not enough for STR compliance
- ▶ Municipalities responsible for MAT enforcement – in smaller communities, the cost of enforcement may exceed the potential MAT revenues

MAT Implementation Challenges

- ▶ **Challenges Enforcing MAT among STRs (cont'd)**
 - ▶ MAT is collected on the back end of booking platforms – difficult to ascertain whether the STR platform is actually collecting and remitting the full amount of MAT
 - ▶ E.g., Kingston: Some STRs avoiding paying the MAT by converting MAT-eligible short-term stays to MAT-exempt medium stays of 30 days or more
- ▶ **STR regulation doesn't necessarily help with MAT collection**
 - ▶ E.g., Prince Edward County: STR licensing program to help with MAT compliance not foolproof, has produced added municipal costs
 - ▶ E.g., Georgina: No MAT but only a handful of STRs are obtaining a license despite being required to do so by STR bylaw

MAT Implementation Challenges

▶ **Uneven MAT Collection Across Region**

- ▶ Problems with MAT collection from some communities can create cascading issues with MAT revenues that are collected
- ▶ E.g., Peterborough:
 - ▶ Lack of STR regulation in County's 8 rural municipalities has made MAT collection impossible from STRs – MAT collection only possible from fixed roof accommodators.
 - ▶ Fixed roof accommodators objected to 'uneven playing field' - therefore MAT scrapped for everyone in the 8 rural municipalities
 - ▶ City of Peterborough is now the only regional contributor of MAT revenues – as a result, it objects to its MAT revenues being used by the regional DMO for tourism promotion outside of the City
 - ▶ PKED: Municipalities pitted against one another

MAT Implementation Challenges

- ▶ **Ensuring that the municipal portion of the MAT goes to tourism where it has been agreed-upon**
 - ▶ Challenges reported with municipalities having agreed to use their portion for tourism promotion but are instead using it for activities with little direct connection to tourism: e.g., repaving roads
- ▶ **HST collection & remittance**
 - ▶ HST should be applied on the all-in price of accommodation (including MAT)
 - ▶ Evidence that some STRs are incorrectly applying HST – less HST remitted than is required, STR operators at risk of tax audit
 - ▶ Problems with HST remittance when there is more than 1 tourism entity – puts tourism entities at risk of costly tax audit

MAT Implementation Challenges

- ▶ **Credit card processing fee is charged on top of the MAT**
 - ▶ Produces added costs for accommodators
- ▶ **Little provincial guidance on MAT design, implementation, & troubleshooting**
 - ▶ No official provincial guidance on MAT beyond O. Reg. 435/17
 - ▶ Municipalities looking to implement MAT are left to source information about MAT design, implementation, and troubleshooting... from other municipalities and industry stakeholders – very time consuming

Conclusion

- ▶ MAT is a beneficial tool for tourism growth and development
- ▶ MAT has a number of economic benefits for the municipality if implemented but there are many challenges in implementation that should be considered in any MAT process

Thank you

- ▶ My contact info: jng@tiaontario.ca
- ▶ Resources:
 - ▶ [O. Reg. 435/17 \('Transient Accommodation Tax'\)](#)
 - ▶ [TIAO MAT FAQs](#)