

STAFF REPORT

Department: Economic Development

Date: February 3, 2025

Item: Municipal Accommodation Tax (MAT) Overview

Recommendation: For information and direction.

Background:

This report has been compiled as an overview of the Municipal Accommodation Tax, its related legislation and potential local impact, as requested by the LaCloche Foothills Municipal Association. The information provided within is for the purpose of informing Council of the option to impose a MAT in the Town of Espanola.

Prior to 2017, some tourism accommodation properties in a few urban municipalities in Ontario voluntarily charged a 3% Destination Marketing Fee (DMF) to their visitors.

This funding was forwarded to a Destination Marketing Organization (DMO) and 100% of the funds were used for tourism marketing and initiatives. Municipalities had no role (legal) in the DMF.

As a result of demand from other municipalities and stakeholders for various reasons, a Municipal Accommodation Tax (MAT) was passed in December 2017 under section 400.1 of the Municipal Act, 2001 in accordance with Ontario Regulation 435/17.

This legislation empowers municipalities to direct accommodation properties to charge a municipal accommodation tax on short-term accommodations (stays of 30 consecutive days or less) and remit the proceeds to the municipality, which is to be appropriately divided between the municipality & the designated tourism entity.

The MAT can be divided 50-50, or a larger portion may be forwarded to the tourism entity. The municipality can use their funds for any purpose, while the tourism entity must use their funds for tourism purposes. The tourism entity can be an external organization like our RTO, Destination Northern Ontario, or can be internal like a municipal Economic Development Corporation.



Analysis:

56 of the 444 municipalities in Ontario have implemented MAT, with several more currently engaging in discussions as we are. A MAT of 4% is the standard, however, municipalities may charge more. The MAT applies to the accommodation charge and does not apply to other associated charges, such as meals or room incidentals, provided that these amounts are itemized separately on the invoice.

For example: In October 2024, the City of Sudbury opted to increase their existing 4% MAT to 6% and allocated the City's portion of the increase to the Tax Rate Stabilization Reserve.

Municipalities in RTO 13 with a MAT:

- Sudbury 6%
- Sault Ste Marie 4%
- Timmins 4%
- North Bay 4%
- Thunder Bay 5%
- Blind River 4%
- Marathon 6%
- Wawa 4%

Other notable municipalities with a MAT:

- Toronto 6%
- Huntsville 4%
- Belleville 4%
- Barrie 6%
- Gravenhurst 4%
- Guelph 4%
- Ottawa 5%

There is opportunity here.

Tourists are accustomed to paying an accommodation tax as accommodation taxes are common in Canada and around the world. Our residents are already paying MATs in other communities when they travel for medical treatments, work trips, sports tournaments, and vacations. Money our residents are spending in other communities is contributing to the upkeep of infrastructure there. Why not here?

Northern Ontario communities are leveraging their tourism industries to increase tax revenue from non-residents. In our region, if residents travel to a major hospital in Sudbury, Sault Ste. Marie, Toronto, or Ottawa, they are paying the MAT to that municipality. This program, if implemented, helps to reduce the burden on local rate payers, improve infrastructure, and ensure our municipalities are sustainable and affordable moving forward.

Based on room inventory, average daily rates & occupancy rates in the LaCloche region, it is estimated that the region (Baldwin, Espanola, Nairn & Hyman, Sables-Spanish Rivers) could collect MAT of \$85,000 - \$100,000/year. This amount may be higher if the MAT were also applied to Airbnb and VRBO (people renting their cottage) as well.



The MAT represents an annual revenue stream for tourism projects and initiatives. These funds can be used as the municipality's contribution for government funding applications. As most government programs require the proponent to contribute 30-50%, this would result in the region being able to double their financial revenue/impact at no cost to the region.

For example, if the region collected \$85,000 in MAT in a year, they could apply to a 50% government program and therefore, have \$170,000 to invest in an initiative that year which would cost the community taxpayers nothing.

Existing Policy: N/A

Strategic Goal: 5 - Economy

Financial Commitment: N/A

Budgeted: Yes No

Implementation:

The MAT has the potential to be a revenue generating opportunity that cost the residents and businesses of the region nothing. The residents and businesses would benefit from the tourism development, marketing, and economic development initiatives funded in part by this annual revenue stream. Administrative supports are available through Destination Northern Ontario to assist the municipality with implementation.

The numbers provided above are regional numbers, derived from room inventory, average daily rates, and occupancy rates within the four partner municipalities. Instead of a resolution to implement, Staff is requesting that Council discuss and provide their interest in the MAT.

If there is an appetite from Council to explore the MAT further, that decision will be taken back to the next LaCloche Foothills Municipal Association meeting. The EDO is providing this same presentation to each of the four municipal Councils this week. Each Council's interest in the program will be reported back to the LFMA for further discussion. The current objective is to try to reach a regional consensus on the MAT. Interest in the affirmative will provide the EDO with direction to devote additional time to exploring this program further and in greater detail.

If further steps are to be taken, there will be an opportunity for any local business owners and stakeholders to provide their comments and feedback. An additional report will be brought forward to the LFMA and the Councils in the future.

Prepared By: Louisa Nadeau



Department Manager: Louisa Nadeau

CAO/Clerk: Joseph Burke

Approval of Recommendation: Yes No

Comments: