



## Municipal Accommodation Tax (MAT)- Amendments

The 2017 Municipal Accommodations Tax (MAT) legislation, provided Ontario municipalities with the permissive authority to implement a MAT on hotel room rates. The MAT aimed to boost much-needed funding to attract visitors to a destination. Ontario's municipalities have embraced MAT. There are design components in the legislation requiring amendments in order to maximize the value provided through MAT. The MAT design must be strengthened to support a stronger tourism industry to aid in hospitality recovery.

The design of the MAT including setting the Tax amount has been left to each municipality. The vast majority of municipalities set the rate at 4%. In 2023 The City of Toronto due to its financial pressures increased the rate to 6%. This has set a precedent with other Cities such as Mississauga, Ottawa, Kingston and others soon to follow. The issue we see here is that in one Province we will be "all over the map" with various MAT tax amounts confusing travellers and bringing competitiveness struggles among hotels that charge and generate MAT revenue.

Over 85% of Ontario hotel stays are made up of Ontarians travelling in Ontario for business, leisure, conference and sports-related travel. Realizing the Province is sensitive to Ontario residents' economic woes the government needs to be aware that they are operating with a revenue tool that has no limit set. We urge the Province to take control as per our recommendation that follows.

Furthermore, according to the MAT legislation, the formula of MAT disbursement to the non-profit entities for promoting and developing tourism products followed two methods of distribution. Those who previously operated with a destination marketing program and were allocated to a formula based on their past performance are disadvantageous.

### RECOMMENDATIONS

- **Change the MAT distribution method for municipalities that previously operated with a destination marketing program.**

Method One Distribution -One method of distribution applies if a destination marketing program did not exist in the municipality on the day before the tax comes into effect. Here a minimum of 50% is to be distributed to the non-profit entity to promote and develop tourism.

Method Two Distribution- The other method applies if a destination marketing program existed in the municipality on the day before the tax comes into effect. This is based on past revenue generated and is tied to annual evaluation based on the Act which reads "Ontario's total tourism receipts over the 10-year period between the second year immediately preceding the particular fiscal year and the 12th year immediately preceding the particular fiscal year". This method prohibits a higher revenue share distributed to the marketing organizations in those municipalities affected.

There are more hotels participating in the MAT than in the past volunteer marketing program. In addition, overall demand and rate growth generate higher MAT revenues than the past program.

While most municipalities in this group support tourism share with higher distribution amounts there are cases such as the City of Toronto's where the entire 2% MAT increase is kept by the city.

### RECOMMENDATIONS:

#### **MAT Distribution Share**

Legislation changes would ensure tourism can drive 100% of the MAT funding to support the local tourism economy which would in turn generate an ROI for the municipality.

**Add an amendment to cap the MAT at 4%**



Implement an official rate change process for an increase or decrease of the MAT to prevent municipalities from increasing or decreasing the rate at their own discretion. We recommend that for an official change to the rate of the tax be voluntary for the impacted businesses, and that this application for a rate change be coordinated by Council consulting directly with the eligible tourism entity and the accommodation sector, to reach mutual agreement.

**Funds collected to be used to augment current funding**

We recommend that funds collected through the MAT be used exclusively to augment current funding. This can be accomplished through the creation of a restriction stating that MAT funds cannot be used to replace existing sources of tourism funding in a community.

**Tourism Infrastructure Transparency**

We recommend that clear, robust, and enforceable rules be put into the existing regulations to provide clarity about how the municipality is to contribute to tourism infrastructure with the 50% of the funds that are put into their budgets.

**Local Tourism Strategy**

Municipalities be required to have a local tourism strategy in place prior to implementing the MAT. The spending of portion of the funds held by the municipality must have a clear and explicit link to the benefit of tourism in the region.

**Universities and Colleges to charge MAT on transient business**

These schools directly compete with accommodation properties for group business and benefit from the DMO marketing activities.

Add clear language to the legislation to allow for imposing the MAT to room revenue in a university or a college of applied arts and technology or post-secondary institution to transient business (for non-student revenue generated primarily over the summer months).

**Exempt the credit card processing fee costs charged on the MAT**

Note – this is included in the Financial Section of this report

A hotel that participates in the MAT should be able to retain the credit card processing fee charged on the MAT amount by the credit card companies. This is a processing fee the hotel currently absorbs and the impacts on costs are significant.

**Example:** A 125 room hotel located in a community where the municipality has enacted a 4% MAT.

- Assuming the hotel will achieve 65% annual occupancy at a \$120 rate, the total room revenue would be \$3,558,750.
- 4% MAT = \$142,350
- Assuming 3% credit card processing fees, this hotel would incur a cost of \$4,270 in a year to the credit card processors.