

**Committee of the Whole Meeting  
November 4, 2024**

**Report #ADMIN-2024-26**

**Municipal Accommodation Tax Program**

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**Recommendation**

That Report #ADMIN-2024-26 be received;

And Further That Council direct the economic development office to include an engagement strategy for the Municipal Accommodation Tax (MAT) program into their work plan for 2025;

And Further That Council supports and endorses future consideration of legislative amendments or regulations to require third party platforms such as Airbnb and VRBO to charge MAT;

And Further That this resolution be sent to the Premier of Ontario, Minister of Municipal Affairs and Housing and Minister of Tourism, Culture and Gaming.

**Executive Summary**

**Purpose of Report**

The purpose of this report is to provide a general overview of the Municipal Accommodation Tax (MAT) program and to seek approval from Council to move forward with an engagement strategy. This report is not requesting approval for program implementation.

**Key Findings**

- Ontario Regulation 435/17 provides municipalities with the authority to enact a Municipal Accommodation Tax (MAT) to assist in supporting tourism initiatives in the community.
- MAT rates are typically established between 4 - 6% per night and can be charged for overnight stays at hotels, motels, Airbnb, VRBO, traditional BnB and camp sites. The accommodation tenant must stay less than 30 days for MAT to qualify.
- There are currently 527 rooms/houses or campsites to rent in New Tecumseth.
- 50%(minus administration fees) must be provided to a designated tourism entity like the County of Simcoe to promote tourism in the community. The remaining balance 50% (minus administration fees) can be used at the discretion of council as a revenue source.

- Currently short term accommodations are not regulated in New Tecumseth. Should council move forward with MAT, there should be some consideration for future licensing regulations. This would include sufficient staffing resources to create and maintain a licensing program.

## **Background**

As part of the 2017 provincial budget, the Ontario government enacted the Transient Accommodation Regulation 435/17 under the Municipal Act, 2001. This legislation authorizes municipalities to levy a tax on transient accommodations (also known as municipal accommodation tax or MAT) within their jurisdiction. The regulation came into effect on December 1, 2017 and allows municipalities to set their own MAT rate, collection method, and administration.

Historically, the vast majority of implementing municipalities have set the tax rate at 4%, however, all communities have flexibility to set the tax rate at their discretion. The cities of Barrie, Mississauga and Toronto have opted for a higher rate at 6%. The Town of Midland most recently implemented this program locally. Their Council has chosen to stagger in rates over a three(3) year period - 2.5% in 2024, 3.5% in 2025 and 4% thereafter.

## **Collection of MAT and Allocation of Funds**

MAT 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 must use at least 50% of the money from the tax to support tourism-related activities, while the rest can be used for general municipal activities. The revenue directed towards tourism must be delivered by a third-party entity or a not-for-profit corporation with a local tourism mandate. Each municipality that chooses to implement a MAT can determine the types of accommodation providers the tax would apply too. The tax would not apply to accommodations where a rental is for 30 days or longer (example seasonal camper).

It should also be noted that MAT does not extend to incidental fees and charges unrelated to the purchase of accommodation. For example, the purchase of a meal in a hotel restaurant could not be considered transient accommodation and therefore could not be made subject to a Municipal Accommodation Tax.

MAT is a mandatory tax upon implementation. It cannot be waived by the provider or the visitor.

## **Comments and Considerations**

### **Accommodations Subject to MAT**

Under Ontario Regulation 435/17, municipalities can charge MAT for hotel, motel, B&B including Airbnb, VRBO and camp site stays. The charge only applies if an accommodation is rented for less than 30 days.

Below is the current breakdown of accommodations in New Tecumseth.

<b>Facility</b>	<b>Address</b>	<b># Rooms</b>	<b>Average Cost per Night *</b>
Nottawasaga Inn Resort and Conference Centre	6015 Highway 89, Alliston, ON	269	Variety of rates per night. Lowest \$269
Alliston Inn	146 Victoria St W, Alliston, ON	14	\$ 123.89
Red Pine Inn & Extended Stays	497 Victoria St E, Alliston, ON	90	\$ 165.00
Alliston Bed & Breakfast	139 Victoria St W, Alliston, ON	3	\$ 175.00
Rolling Acres Campground	6047 Highway 89, Alliston, ON	102 sites	No short term. Seasonal only - does not qualify for MAT.
Tottenham Conservation Area	6787 4th Line, Tottenham, ON	92 sites	\$ 42.00
Air Bnb and VRBO	Multiple addresses	59	Range \$83 - 1,486
<b>Total</b>		<b>527</b>	

\* Prices are subject to HST

As the chart above depicts, the municipality has 435 rooms and/or houses to rent year round. This number further increases to 527 during the summer months with the addition of campsites.

A recent review of information collected on Airbnb and VRBO suggests a 6.4% increase in bookings over and above the last year period. At present, short-term occupancy stands at around 40%.

Over the next two (2) decades, New Tecumseth is anticipated to have a development boom. This will largely be concentrated on residential growth, however, industrial, commercial and general business growth is also anticipated to occur. These

developments may further enhance occupancy rates in the Town of New Tecumseth due in part to the increased demand for housing among labour workers.

## Opportunities - MAT

Implementing a MAT program can have many positive outcomes for a municipality. Some considerations to contemplate include:

1. **Tourism Development:** 50%(minus administrative fees) raised through MAT would be reinvested into promoting tourism, enhancing visitor experiences and attracting more travellers to the Town. New Tecumseth has an abundance of tourism opportunities that could be further highlighted through this program. More travellers to New Tecumseth equals more money invested into the local economy including with accommodation providers.
2. **Community Benefits:** 50% (minus administrative fees) raised through MAT can be directed towards community projects, events, and services that enhance the quality of life for residents. These funds can be spent at Council's discretion and earmarked during the budget process.
3. **Level Playing Field:** MAT helps ensure that all types of accommodations contribute to local tax revenues, creating a fair competitive environment between traditional hotels and short-term rentals.
4. **Economic Growth:** By supporting tourism and related sectors, MAT can stimulate local economies, creating jobs and opportunities for small businesses.

## Challenges - MAT

Implementing a Municipal Accommodation Tax (MAT) can also present several challenges for local governments. Here are some of the key issues:

**Compliance and Enforcement:** Ensuring a level playing field between traditional and new accommodation providers can lead to further costs for the municipality. Currently there are no licensing regulations in place for short term accommodations (Airbnb and VRBO). Should council move forward with this program, licensing options should be considered. Notably, this will require further staffing resources, but will also facilitate greater safety for our visitors in addition to promoting responsible hosting and reducing negative impacts on neighbourhoods.

**Perception of Tax:** Accommodation providers, residents and visitors may view MAT as an unnecessary burden, leading to dissatisfaction or pushback against local government initiatives. This can be shifted by partnering with accommodation providers and the business community to enhance rather than detract business opportunities.

**Economic Fluctuations:** Economic downturns can reduce tourism, affecting MAT revenues. Many tourism providers have finally recovered from the COVID impact on their business. Although there is a "never a good time" to enact this tax, recent economic considerations should be taken into account.

### **Next Steps - MAT**

Prior to moving forward with this program, staff recommend conducting an engagement strategy to build consensus and the necessary relationships between accommodation providers and the Town. Thorough research has suggested this is a critical step to build program acceptance.

Staff recommend adding the engagement strategy to the 2025 economic development work plan.

### **Simcoe County Tourism - Recommended Designated Tourism Entity**

The County of Simcoe delivers broad tourism services across its lower tier municipalities. Recently, the Town of Midland established a further mutual agreement with Simcoe County Tourism to serve as their official tourism organization for the MAT program. There is no cost to the municipality for the administration of this program, rather every dollar provided is spent to enhance tourism directly.

In discussion with Simcoe County representatives, a similar agreement could be entered into with the Town of New Tecumseth. Enhanced tourism opportunities include direct tourism marketing campaigns, experience development workshops and staycation packages.

During its implementation, Midland created an advisory body with accommodation, attraction and municipal representatives. Their current mandate is to promote and grow tourism. This advisory body works with Simcoe County to recommend and provide advice on how best to utilize the funds raised through the MAT program.

Staff suggest council consider a similar approach should this program move forward after the engagement strategy has been completed.

### **Airbnb and VRBO Fee Collection**

Airbnb and VRBO no longer accept new registrations of MAT by-laws from municipalities. This provides further steps a municipality must take to collect fees from short term rental providers.

Staff request council's consideration to petition the Province of Ontario to make it a requirement for third party platforms like Airbnb and VRBO to charge MAT at the time the rental is purchased online.

Currently, Airbnb collects MAT for a small number of municipalities, however, they have stopped taking on additional MAT by-laws several years ago.

Without changes to the legislation, administration fees post implementation will be higher. Further information on administration fees are provided under financial considerations.

### **Alternative Options**

1. Direct staff to take no further action with a Municipal Accommodation Tax in the Town of New Tecumseth.

### **Financial Considerations**

Staff have generated potential revenue for this program based on 40,50 and 60 percent occupancy levels. This information is attached in Appendix A.

A partnership with the Ontario Restaurant Hotel and Motel Association (ORHMA) to collect fees for MAT is recommended by staff. A third party web application like Air DNA, Granicus or Harmari would also need to be licensed to collect data on short term rentals. Both expenditures would be considered administration fees under this program.

ORHMA charges an initial \$3,000 start up cost and 1.8% for taxes collected from hotels and motels; 5% for taxes collected from Airbnb and VRBO.

The charge for short term web applications (as referenced above) can cost up to \$9,600 a year, however, further negotiations with a preferred vendor may decrease this cost.

All administration costs would be deducted from the total revenue prior to dividing income between tourism and general funds.

Further considerations should also be given to staff resources regarding licensing short term rentals. This information will be brought back in a future report to council at the completion of the engagement strategy.

### **Communication Plan**

The economic development office will facilitate an engagement strategy with all community stakeholders in 2025.

## Strategic Plan

[Click here for strategic plan](#)

### Authored and Submitted By:

Pam Fettes, Clerk

### Attachments:

□ [Final Revenue Spreadsheet for Report](#)

### Approved By:

Alison Gallant, CPA, CMA,  
Director, Financial  
Services/Treasurer

Lori Bedford, GM of Corporate  
Services/CFO

Neil Garbe, CAO

### Department:

Finance

Corporate Services Division

CAO

### Status:

Approved - 28 Oct 2024

Approved - 28 Oct 2024

Approved - 29 Oct 2024

Facility	Address	# Rooms	Average Cost per Night * (* Prices subject to HST)	40% Occupancy 4%	50% Occupancy 4%	60% Occupancy 4%
Nottawasaga Inn Resort and Conference Centre	6015 Highway 89, Alliston, ON L9R 1A4	269	\$ 269.00	\$ 422,588.24	\$ 528,235.30	\$ 633,882.36
Alliston Inn	146 Victoria St W, Alliston, ON L9R 1L7	14	\$ 123.89	\$ 10,129.56	\$ 12,661.95	\$ 15,194.34
Red Pine Inn & Extended Stays	497 Victoria St E, Alliston, ON L9R 1T9	90	\$ 165.00	\$ 86,724.00	\$ 108,405.00	\$ 130,086.00
Alliston Bed & Breakfast	139 Victoria St W, Alliston, ON L9R 1L7	3	\$ 175.00	\$ 3,066.00	\$ 3,832.50	\$ 4,599.00
Rolling Acres Campground	6047 Highway 89, Alliston, ON L9R 1V7	102 sites	<b>No short term overnight camping</b> - Seasonal & 10 Month durations only			
Tottenham Conservation Area	6787 4th Line, Tottenham, ON L0G 1W0	92	\$ 42.00	\$ 8,408.06	\$ 10,510.08	\$ 12,612.10
Air Bnb and VRBO	Multiple addresses in Municipality	59 Rms/houses	\$ 286.00 Range \$83 - 1,486	\$ 98,544.16	\$ 123,180.20	\$ 147,816.24
<b>Total</b>	<b>Total Number of Accommodations</b>	<b>527</b>		<b>\$ 629,460.02</b>	<b>\$ 786,825.03</b>	<b>\$ 944,190.03</b>

<b>Administration Costs</b>			
<b>Short Term Web Application for Short Term Rentals</b>			
		\$ 9,600.00	\$ 9,600.00
<b>OHRMA (1.8%) Service Charges</b>	6015 Highway 89, Alliston, ON L9R 1A4	\$ 7,606.59	\$ 9,508.24
	146 Victoria St W, Alliston, ON L9R 1L7	\$ 182.33	\$ 227.92
	497 Victoria St E, Alliston, ON L9R 1T9	\$ 1,561.03	\$ 1,951.29
	139 Victoria St W, Alliston, ON L9R 1L7	\$ 55.19	\$ 68.99
<b>OHRMA (5%) Service Charges</b>		\$ 4,927.21	\$ 6,159.01
		<b>\$ 23,932.35</b>	<b>\$ 27,515.44</b>
		<b>\$ 31,098.52</b>	

<b>Total Revenues</b>			
		<b>\$ 605,527.67</b>	<b>\$ 759,309.59</b>
		<b>\$ 913,091.51</b>	