

**TO: CHAIR AND MEMBERS
ECONOMIC DEVELOPMENT STANDING
COMMITTEE**

**FROM: ECONOMIC DEVELOPMENT ADVISORY
COMMITTEE (EDAC)**

**SUBJECT: MUNICIPAL ACCOMMODATION TAX -
IMPLEMENTATION**

That, on the recommendation of the members of EDAC, the following actions be taken with respect to implementing a new Municipal Accommodation Tax):

That a four percent (4%) Municipal Accommodation Tax (MAT) on the purchase price of transient accommodation periods of less than 30 days, in the City of Elliot Lake **BE ADOPTED** effective January 1, 2020; and that Tourism Elliot Lake be incorporated as a non-profit corporation responsible for tourism promotion and development on behalf of the City of Elliot Lake;

b) That Civic Administration **BE DIRECTED** to bring back the required by-laws and agreements referenced for approval by Municipal Council prior to implementation of the Municipal Accommodation Tax;

c) That the key principles included in Appendix A with respect to establishing a tax on the purchase of municipal accommodation in the City of Elliot Lake **BE ENDORSED**, noting that these key principles will be included in the by-law;

d) That Civic Administration negotiate an agreement with the Ontario Restaurant Hotel & Motel Association (ORHMA) for the collection of the Municipal Accommodation Tax in the City of Elliot Lake **BE ENDORSED**;

e) That key principles be written with respect to the use and monitoring of funds from the Municipal Accommodation Tax received by Tourism Elliot Lake, as the eligible tourism entity in the City of Elliot Lake.

BACKGROUND

The 2017 Provincial Budget granted municipalities the authority to implement a tax on transient accommodations, should they choose to do so.

- _Relevant Provincial legislative changes came into effect December 1, 2017 for the purpose of ensuring that those communities that invest in the tourism sector can continue to grow and maintain its upward momentum as a significant contributor to economic growth and development.
- _Section 400.1 of the Municipal Act, 2001 provides that a municipality may by way of a by-law, impose a tax with respect to the purchase of transient accommodations. The by-law must include the subject of the tax to be imposed; the tax rate or the amount of tax payable; and the manner in which the tax is to be collected, including the designation of any persons or entities

who are authorized to collect the tax as agents for the municipality and any collection obligations of that person or entity.

- _The by-law may also provide for: exemptions from the tax; rebates of tax; penalties for failing to comply with the by-law; interest on outstanding tax; penalties or interest; audit and inspection powers; dispute resolution mechanisms; and enforcement measures.
- _The legislation allows Elliot Lake to raise additional revenues which, net of the reasonable costs of collecting and administering the tax, are to be shared (50/50) with an “eligible tourism entity” defined as a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality which are required to use the funds for tourism promotion and development. Tourism Elliot Lake was proposed to be the eligible tourism entity in the City of Elliot Lake. It is also proposed that this new tourism entity receive 100% of the funds received through the MAT.
- _The legislation requires that an agreement be entered into with the eligible tourism entity to ensure that any amounts paid are used exclusively for tourism promotion and development and that reasonable financial accountability is maintained.

Most cities in Ontario have already implemented a 4% accommodation tax.

CONSULTATION

- _EDAC members have contacted all known accommodation providers in Elliot Lake. There is one hotel of 52 rooms, one lodge with 12 rooms and nine identified bed & breakfasts. The initial reaction from these providers was that they would have to reduce their rates in order to stay competitive. It would cause them more paperwork. We was explained;
 - how all providers are affected equally
 - that the tax is paid by the purchaser solely on the accommodation portion of their account
 - that MAT has been implemented in most cities in Ontario.
 - that the monies collected would be used to promote tourism and as a result supply more customers for their hotel, lodge, AirBnB, etc.

70% of the operators saw a benefit to the funding of Tourism Elliot Lake and asked for a seat at the table in setting its direction. The remainder were unconvinced of the benefit.

TOURISM ELLIOT LAKE

It is recommended that the Economic Development Standing Committee **ENDORSE AND RECOMMEND** to Council the incorporation of Tourism Elliot Lake and that it receive all funds derived from the MAT.

The MAT is estimated to generate \$70,000 in 2020, its first year in effect. We believe these funds might be used to leverage further funding from grant making agencies in higher tier governments.

It is proposed that Civic Administration BE DIRECTED to have this entity incorporated as early as possible and that it be a non-profit corporation whose purpose is to promote and development tourism to the benefit of the City of Elliot Lake.

It is proposed that the Board of Directors be composed of stakeholders in the Tourism sector. This may include accommodation providers, sports clubs, the City, retailers, Chamber of Commerce, Mt. Dufour Ski Area, ELRL, Stoneridge Golf Course, etc.

PURPOSE OF THIS REPORT

The purpose of this report is to seek approval to implement a four percent (4%) Municipal Accommodation Tax (MAT) on the purchase price of transient accommodation in the City of Elliot Lake. The effective date of January 1, 2020 was chosen to allow sufficient time for Civic Administration to complete and bring back to Municipal Council for approval the necessary by-laws and agreements to implement the tax. The time is also required for the collection agent to implement the proposed collection system with all the providers of accommodation in the City of Elliot Lake who will be required to collect and remit the MAT.

This report also seeks direction for Civic Administration to bring back the by-laws and agreements that are required prior to implementation of the MAT program. The key principles for these by-laws and agreements, included in appendices A through D, are recommended for endorsement. This approach allows Municipal Council the opportunity to provide input on these key principles before they are incorporated into the final by-laws and agreements that Civic Administration will bring forward to a future committee meeting for final approval.

Municipal Accommodation Tax By-law

Part XIII.1 of the Municipal Act, 2001 and Regulation 435/17 provides that a municipality may, by way of bylaw, impose a tax with respect to the purchase of transient accommodations. The Municipal Act, 2001 provides that the by-law may provide for the tax rate but does not specify the percentage or flat amount of the MAT. The Municipal Act, 2001 also permits the by-law to provide for exemptions from the tax, penalties for failing to comply with the by-law, interest on the outstanding taxes or penalties, audit requirements, and enforcement measures as appropriate, for amounts remaining unpaid. Appendix A outlines the key principles to be included in the by-law establishing a tax on the purchase of municipal accommodation in the City of Elliot Lake.

It is recommended that Committee and Council approve a four percent (4%) MAT which would be mandatory in the City of Elliot Lake. Discussion with other municipalities that are considering or have already adopted the MAT indicate that many have approved or are considering a four percent rate. The following notable entities are exempt by regulation from collecting the MAT: accommodation at a university or college, hospitals, long-term care homes, treatment centres that receive provincial aid, lodging for reformation of offenders, shelters for the relief of the poor or emergency, and tent or trailer sites.

COLLECTION OF THE MUNICIPAL ACCOMMODATION TAX

We recommend Civic Administration continue on from our preliminary discussions with the Ontario Restaurant Hotel & Motel Association (ORHMA) to act as the agent for the City of Elliot Lake for the collection of funds from the Municipal Accommodation Tax. All costs for collection and administration of the tax will be funded from the tax proceeds. It is recommended that the City of Elliot Lake enter into an agreement with ORHMA as its collection agent for a two year period and that Civic Administration continue negotiations of the key principles proposed by ORHMA included in Appendix B to be brought forward for Municipal Council approval. These principles include the proposed approach, privacy, roles and responsibilities for both parties, communications and notifications requirements, financial reconciliation, refunds, liabilities, and reporting and auditing requirements. The agreement will also include termination provisions and rights on termination.

EDAC is recommending that ORHMA act as the agent for the City since it will provide for ease of implementation by January 1, 2020 and be most cost effective. ORHMA has experience with collecting similar taxes in other municipalities, already has a relationship with the accommodation providers and has a system already developed. This is consistent with the approach taken by other municipalities such as Ottawa, Toronto, London and Mississauga.

Distribution of Revenues from the Municipal Accommodation Tax (MAT)

The implementation of a four percent (4%) tax on transient accommodation in Elliot Lake is estimated to generate between approximately \$65,000 to \$75,000 per annum. This is based on the current information made available on existing occupancy levels and daily room rate, excluding entities noted as being exempt from the tax.

There are conditions prescribed in the Regulation that set out the required revenue sharing. The municipality is required, where no destination marketing program currently exists, to transfer 50% of the net revenues from the tax to an “eligible tourism entity for the exclusive purpose of promoting tourism”. An eligible tourism entity is defined as “a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality”. The other 50% of the net MAT revenues could remain with the City of Elliot Lake and the use of these funds is not restricted by Provincial regulation. We recommend all proceeds go to Tourism Elliot Lake.

The non-profit entity in the City of Elliot Lake with an exclusive mandate to promote tourism will be Tourism Elliot Lake. The designation of Tourism Elliot Lake as the eligible tourism entity is consistent with how other municipalities have implemented the MAT. There are other tourism-oriented entities in the City which dedicate part of their efforts towards tourism, but none with an exclusive mandate of promoting tourism and these other entities should work closely in conjunction with Tourism Elliot Lake where their mandates connect. Tourism Elliot Lake would be required to continue to work with other tourism related entities, including transferring MAT funds as appropriate, to broaden tourism promotion activities. Establishing these relationships would be included in the agreement between the City and Tourism Elliot Lake on the use of MAT funds. With a mandatory MAT in place, Tourism Elliot Lake would benefit from greater certainty and capacity to attract more major events and tourists.

Municipal Council will want to closely monitor the use of the MAT revenues that are legislated to be transferred to an eligible tourism entity. The monitoring of outcomes related to the new MAT implementation would be much easier if there was just one entity responsible and accountable for the revenue. The administration related to the transfer of funds would also be easier and less costly with just one entity. The Regulation also requires the City to enter into a financial agreement that outlines reasonable financial accountability over matters in order to ensure that amounts paid to the local tourism entity are used for the exclusive purpose of promoting and developing tourism. Controls and measures for monitoring and administration would be included in the agreement between the City and Tourism Elliot Lake on the use of MAT funds, as required by Provincial legislation.

CONCLUSION

This report requests Economic Development Standing Committee ENDORSE and recommend Municipal Council approval for the implementation of a four percent (4%) tax (MAT) on municipal accommodation within the City of Elliot Lake effective January 1, 2020.

The report also seeks endorsement of key principles to be included in a by-law to establish this tax.

This report requests Economic Development Standing Committee ENDORSE and recommend Municipal Council approval for the incorporation of Tourism Elliot Lake as a non-profit tourism dedicated entity.

Attachments:

Appendix A: Key Principles to be included in the By-law to Establish a Municipal Accommodation Tax (MAT)

APPENDIX A

Key Principles to be included in the By-law to Establish a Municipal Accommodation Tax (MAT)

Authority

1. Section 400.1 of the Municipal Act, 2001 provides that a municipality may by way of a by-law, impose a tax with respect to the purchase of municipal accommodations.

Subject of Tax and Tax Rate Payable

1. The MAT is a sales tax paid by the guest.
2. The MAT is charged at a rate of 4% of the purchase price of transient accommodation.
3. The effective date of the MAT will be October 1, 2018.
4. Charges for ancillary services such as food, room service, mini bar use etc. are exempt if itemized separately.

Exemptions

MAT will not apply to the following types of transient accommodation:

1. Universities, colleges and school boards;
2. The Crown and agencies of the Crown;
3. Hospitals, long-term care homes and treatment centres;
4. Lodging for reformation of offenders
5. Shelters for the relief of the poor or for emergency; and
6. Every tent or trailer site supplied by a campground, tourist camp or trailer park.

Tax Collection

1. The Ontario Restaurant Hotel & Motel Association (ORHMA), as agents for the municipality, shall collect the MAT from providers of transient accommodation (Providers).
2. Providers shall collect the MAT at the time the accommodation is purchased.
3. The amount of the MAT shall be identified as a separate item on the invoice.
4. Providers shall remit monthly to the City's designated collection agent and submit the monthly statements in the form required by the City.

Refunds

1. The City or its agent may issue a refund upon receipt of satisfactory evidence that the amount was wrongly paid or remitted.

Interest & Penalties

1. Penalties and interest at the rate applicable to overdue property taxes shall be payable monthly by the providers of transient accommodation.
2. All MAT penalties and interest that are past due may be transferred to the tax collectors' roll of the City.

3. A fee shall be charged in respect of all remittances made by cheque that are not honoured by the financial institution.
4. Every person who contravenes any provision of the by-law is guilty of an offence and subject to fines.

Audit Requirements

1. Providers of transient accommodation shall keep records sufficient to furnish auditors with the necessary particulars of sales and the amount of MAT collected and remitted.
2. ORHMA may inspect and audit all records as required.
3. ORHMA, as agents for the municipality, will be responsible for independent audits of the Providers with the cost to be funded by the MAT.