

# Staff Report to Council

**Title:** Municipal Accommodation Tax Consideration

**Report Number:** Strategic Initiatives-2025-03

**Director:** Chief Administrative Officer

**Manager:** Strategic Initiatives

**Meeting Date:**  
Wednesday, February 26, 2025

**Date to be considered by Council:**  
Wednesday, February 26, 2025

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## Recommendation:

Whereas a Municipal Accommodation Tax (MAT) is a revenue tool commonly used by Ontario municipalities to fund tourism activities and general municipal revenues; and

Whereas the Municipality of Kincardine is an iconic tourism destination in Ontario;

Now therefore be it resolved that staff report Strategic Initiatives – 2025-03, Municipal Accommodation Tax Consideration - Proposed Process, be received; and

Further that Council direct staff to implement the proposed process as outlined in this report and report back to Council each quarter with an update.

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## Executive Summary:

The Municipal Accommodation Tax (MAT) is a tax levied on visitors who stay in commercial accommodations within a municipality. This tax was introduced in Ontario in 2017 as a tool for municipalities to generate additional revenue for tourism-related activities and projects. Since this time approximately 50 of the 444 municipalities across the province have implemented a MAT. An introductory report was provided to the previous Council in June 2022 (CAO General-2022-02) (See Attachment 1). This Council has discussed the need to explore a MAT during the Strategic Planning sessions and have included funds in the draft 2025 budget to explore the considerations of implementing a MAT in the Municipality of Kincardine. This report provides an overview of the initial steps to investigate the MAT which would provide Council with information to assist with future decision-making.

## Strategic Priorities:

D.16-Ensure the Municipality provides value for money and long-term sustainability

## Financial Considerations:

\$75,000 was included in the draft 2025 budget process to complete components of this work throughout this year.

## **Policy:**

Ontario Municipal Act, 2001, Section 400.1; O. Reg435/17

## **Context and Background Information**

Preliminary exploration indicates that the implementation of a MAT could have several potential benefits for the municipality. It could generate additional revenue for tourism-related activities and projects, promote local attractions, events, and festivals, and support municipal infrastructure used by both residents and tourists.

Given that the Municipality of Kincardine is a significant tourism destination in Ontario, and the widespread usage of the MAT across comparable municipalities in the Province, Council can investigate, consult and consider the implementation of a MAT locally.

This report provides an overview of the MAT and the initial steps to investigate. The information generated from the proposed steps would provide Council with information to consider the challenges and opportunities for future decision-making.

## **What is the Municipal Accommodation Tax?**

The Municipal Accommodation Tax (MAT) is a tax levied on visitors who stay in commercial accommodations within a municipality. This tax was introduced in Ontario in 2017 as a tool for municipalities to generate additional revenue for tourism-related activities and projects. Since this time roughly 50 of the 444 municipalities across the province have implemented or are in the process of implementing a MAT. Some examples of Municipalities include South Bruce Peninsula, The Town of the Blue Mountains, Midland, Barrie, Orillia, Niagara Falls and Toronto to name a few.

Historically, most municipalities have set the tax at 4%, however all communities have flexibility to set the tax at whichever level they wish. 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.

Each municipality that chooses to implement a MAT determines the types of accommodation providers that the tax would apply to (i.e.: hotels, short-term rentals, etc.).

In Consideration of a Municipal Accommodation Tax in general terms, stays of 29 days or less could be considered for the tax. The legislation includes exemptions for colleges, universities, the Crown, Educational Boards, hospitals, and long-term care homes.

## **What can a Municipal Accommodation Tax be used for?**

The provincial regulation stipulates that the Municipality can retain up to 50% of the MAT revenue, with the remainder distributed to a not-for-profit eligible tourism entity and used exclusively to promote tourism in the area.

The 50% municipal portion of funds can be used by the municipality at its discretion for services and infrastructure, however typically these funds are used to enhance tourism related amenities while benefitting residents including revenue support for parks, beaches, trails, facilities, etc.

## **Eligible Not-For-Profit Tourism Entity**

Fifty percent of the funds generated through the MAT program are to be shared with an eligible not-for-profit tourism entity. An “eligible tourism entity” is a not-for-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality. The

municipality is required to enter into an agreement with the eligible tourism entity that receives a portion of the MAT.

This agreement must include reasonable financial accountability measures to ensure amounts paid to the entity are used for the exclusive purpose of promoting and supporting tourism.

Since this not-for-profit entity does not exist in the Municipality of Kincardine, part of this work would need to include a process to identify the most appropriate and suitable governance structure for this entity should Council decide to proceed with a MAT.

### **Licensing of Short-Term Rental Accommodations and Zoning By-law considerations**

Most municipalities enacting the MAT also implement short term accommodation (STA) licencing to regulate the use during this process. Preliminary discussions with municipalities indicate that STA licencing should occur prior to the implementation of the MAT and is a critical factor in the successful implementation of the MAT.

The purpose of short-term licencing is to ensure that short-term rentals are operated in a safe and legal manner. Licencing short-term rentals will also have the added benefit of helping the Municipality understand the housing supply dedicated to short-term rentals which is believed to remove the supply from the housing market. It also ensures that rentals located within neighbourhoods do not adversely impact neighbouring property owners and ensures occupants that accommodations comply with the Ontario Building Code.

Several lakefront municipalities have started to regulate short-term accommodations including Northern Bruce Peninsula, South Bruce Peninsula and Lampton Shores.

There is work needed to implement STA licencing including an update to the Comprehensive Zoning By-Law to define the short-term accommodation and create provisions relating to usage.

Many communities use a third-party service provider to administer and enforce this by-law, given the significant resources that would be required to implement such a program.

If regulating short-term accommodations is deemed desirable by Council, then implementation of the program including developing a licencing by-law and related licencing fees, options for administration and budget would be part of this process. This would be investigated by staff and would be presented to Council for direction.

### **Collection of the MAT**

Once the MAT is approved it is a mandatory fee, and the collection details are established in the by-law. The fee is paid to the accommodator, and the accommodator submits the tax collected to the municipality. The accommodator will be required to include on every invoice or receipt a separate item identified as the Municipal Accommodation Tax. They must remit a report either monthly or quarterly stating the MAT collected for the previous period and remit within 15 days of the amount being charged and collected. Forms would need to be developed and available on the website. Failure to pay would be added to the tax roll for collection.

The municipal Treasurer is responsible for administering the by-law to collect the MAT and establish related procedures and documents.

The MAT can be administered and collected either:

- Directly by the Municipality
- By a third-party contracted to collect the tax (e.g. ORHMA, Harmari)
- By the not-for-profit tourism entity

Investigation on the pros and cons and costs for each of the above options would be investigated as part of this process and presented back to Council for direction.

### **Stakeholder Awareness and Engagement**

Initial conversations with municipal staff in other communities, identified the importance of creating awareness regarding the benefits of the MAT as well as having discussions with stakeholders to understand the potential impacts, both positive and negative before implementing a MAT.

Groups to engage include commercial accommodators, short term rental accommodators, the Kincardine and District Chamber of Commerce, Lakeside Downtown Business Improvement Area (BIA), the tourism industry, businesses, the Regional Tourism Organization (RT07), realtors, Bruce County, other local municipalities, Air BNB, VRBO, and the general public.

Engagement and communication would take place throughout the process and content and the audience will change depending on where we are at within the process.

### **Estimated Timelines**

Should Council wish to proceed, the goal would be to have a MAT in place by January 2027. In anticipation of the MAT the planning for the STA would occur alongside the above components with an anticipated STA licensing implementation date of January 2026. This would allow for time to update the Comprehensive Zoning By-law to define the use of short-term rental accommodation and create provisions relating to usage and the fees associated. To see details regarding the estimated timeline see Attachment 2.

### **Proposed next steps**

Staff have started initial research on the MAT in municipalities, including virtual interviews with staff, that have implemented or will be implementing a MAT. Based on these conversations the following steps are proposed in order to assist Council with their decision making. The work includes the following components:

#### **Financial impact**

Conduct a forecast of revenues generated by the collection of the Mat for both commercial and short-term accommodation providers. This includes the collection of data regarding the number of accommodators, existing and historical visitation patterns and occupancy, expected price etc. Once the financial forecast is completed staff will bring back the results to council to inform the decision on whether or not to implement Short Term Accommodation licencing. The goal would be to have this report back to council no later than June 2025 to inform the decision about STA licencing.

#### **Short Term Accommodation Licensing**

Through preliminary research with other municipalities, it was recommended that STA licensing be implemented prior to implementation of a MAT. Research to establish a licencing by-law for short-term accommodations and developing a licencing by-law, including assessment of third-party resources required for developing these bylaws would take place and reported back to Council. Some

municipalities also stated that even if Council decides not to proceed with a MAT, that proceeding with STA licencing is of benefit to the community.

Should Council decide to proceed with STA licencing the goal would be to implement this in January 2026.

### **Potential governance structures and processes**

Explore options for governance structures and processes including the structure and accountability needed internally as well as for the governance structure for the non-for-profit tourism entity.

### **Resources and budget**

This undertaking will require staff resources from every department across the organization and has additional budgetary implications over multiple years before a MAT by-law could be enacted. Once enacted it would continue to need staff capacity/resources for the implementation. As the above components are investigated costs and staff capacity will be identified and reported to Council.

### **Consultation Overview:**

Throughout this work communications and engagement would need to take place in order to ensure clarity, transparency, and buy-in from stakeholders. Gathering input from stakeholders to understand the feasibility and potential impact on the community, local accommodation providers and tourism stakeholders would be a part of this process.

Stakeholders include commercial accommodators, short term rental accommodators, the Kincardine and District Chamber of Commerce, Lakeside Downtown Business Improvement Area (BIA), the tourism industry, businesses, the Regional Tourism Organization (RT07), realtors, Bruce County, other local municipalities, Air BNB, VRBO, and the general public. Engagement and communication would take place throughout the process and content and the audience might change depending on where we are at within the process.

### **Origin:**

- Resolution 02/23/22-03; Economic Development Strategy Action #3.5.2
- CAO General-2022-02 Municipal Accommodation Tax – Introductory Report for information

### **Implementation Considerations:**

As contained in this report. Further research and review is required to understand the opportunities and challenges that the STA licencing and a MAT presents as well as the costs and capacity required for all components. Staff will report back to Council at least each quarter with an update.

### **Risk Analysis:**

Choosing not to investigate the MAT could result in a missed opportunity for the municipality to generate additional revenue for tourism-related activities and general municipal infrastructure impacted by Tourism.

Without investigating the tax, the municipality would not have a clear understanding of its potential benefits or drawbacks and would not be able to make an informed decision about whether to implement it.

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**Attachments:** CAO 2022-02 Municipal Accommodation Tax Report  
Attachment 2 Estimated MAR Timelines  
Presentation on the MAT – Overview Council

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**Submitted by:** Lorie Fioze, Manager of Strategic Initiatives