



## **ORHMA's Direction on the Municipal Accommodations Tax (MAT)**

In 2017, the Ontario government, through legislation, provided municipalities with the ability to add a **Municipal Accommodations Tax (MAT)** and each Ontario municipality will now have the option to implement such a tax. ORHMA strongly opposed this and unsuccessfully advocated against a MAT. It is ORHMA's belief that, with the exemption of large metro areas that draw new business from markets outside of the province, a MAT will only shift current Ontario business from one destination to another and, with a few exemptions a MAT will not generate incremental revenues to Ontario's tourism industry.

Municipalities across Ontario are starting to embrace a MAT and with a minimum of 50 per cent of the funding collected aimed to be used for tourism promotion and development it will create tourism business shifts between destinations. Those with larger tourism budgets will steal market share from the others.

It's not about not wanting to apply a MAT to one's hotel rate. The industry advocated against a government hotel tax, however, this battle was lost. Now it's about evaluating your market ensuring your municipality's tourism budget has the capacity to prevent erosion of the existing city tourism business and having the ability to generate new business. Competition between municipalities will be fiercer.

### **Taking the right steps to put heads in beds:**

- While a MAT will be entertained by municipalities, it is advantageous for tourism organizations and the hotel community to work together demanding that the largest portion of the MAT go towards funding tourism sales and marketing and the remaining for tourism product/infrastructure development.
- The City portion of the MAT is spend in tourism product and infrastructure development which will further grow the municipality's economy.
- When tourism development is included in the funding it is essential that it supports new business growth to hotels
- Able time for implementation of MAT given to the hotel industry to ensure efficient preparation.
- Proper consultations taking place.
- The hotel sector is represented on the tourism organization's Board of Directors to influence and impact decisions and activities aimed to support a destination's hotel success. An empowered and influential hotel steering committee is highly recommended.
- A tourism strategic plan to be in place for MAT spending.
- The hotel community should work with the tourism organization in support of maintaining existing city tourism funding.
- The local tourism organization's performance should be measured through established metrics and held accountable.

Hotels will be generating the funding thus it is important in supporting a municipal room tax that the destination has the ability to generate revenue to support the hotel industry's success. Hotel growth supports job growth and the local economy including attractions, restaurants, retail and many services and products. Furthermore the funding generated from hotels located in rural areas must be used to promote their own destination.

The MAT is an option a municipality in need of dollars can initiate and they do have the legal power to implement. It is important that synergies are established between tourism organizations and the hotel community to support a destination's overall tourism success.