

## **Protect tourism industry competitiveness within the Municipal Accommodation Tax**

Submitted by the Timmins Chamber of Commerce

Co-sponsored by the Thunder Bay Chamber of Commerce, Greater Sudbury Chamber of Commerce, and the Sault Ste. Marie Chamber of Commerce

**Adopted by the Ontario Chamber of Commerce – April 2018**

### **Issue:**

As communities across Ontario consider implementing the new Municipal Accommodation Tax, measures must be taken to ensure that the tourism industry is appropriately protected against uncompetitive increases, and that affected businesses have a say in how those tourism dollars are used.

### **Background:**

Ontario's tourism industry plays a vital role in the provincial economy<sup>1</sup>, supporting nearly 180,000 related businesses and 372,000 jobs while generating over \$28 billion in provincial GDP.<sup>2</sup>

However, in addition to being disproportionately impacted by rapid changes to Ontario's minimum wage,<sup>3</sup> this industry faces another obstacle: on Dec. 1, 2017, Ontario municipalities were accorded the ability to impose a Municipal Accommodation Tax on facilities that provide stays under 30 days. This is of concern to industry groups, who fear it may reduce their competitiveness, and directly impact the provincial economy.<sup>45</sup> One such group includes the Ontario Chamber of Commerce, which had expressed in the lead-up to the 2017 provincial budget that it opposed providing the City of Toronto the ability to levy this particular tax, in part because of its potentially detrimental impact, but also because of its potential to be applied to other municipalities – something which has since come to pass.<sup>6</sup>

This concern has arisen because the new “hotel tax” differs greatly from the Destination Marketing Program (DMP), which it will effectively replace. Whereas the DMP is a voluntary model that allows participating businesses to help oversee how its tourism dollars are spent, the new tax can be applied unilaterally by municipal governments.

Additionally, the new tax is being touted as having been “developed as a revenue tool for municipalities”<sup>7</sup>: as little as 50 percent of its revenues – or, in municipalities with an existing DMP, an amount that matches the total revenue it generated – must be provided to a non-profit tourism organization, with the remainder flowing to City coffers. This, along with its non-voluntary

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<sup>1</sup> Ontario Chamber of Commerce, “Closing the Tourism Gap: Creating a Long-Term Advantage for Ontario”, Nov. 17, 2016

<sup>2</sup> Ontario Tourism Marketing Partnership Corporation, “About Destination Ontario,”

<sup>3</sup> Financial Accountability Office of Ontario, “Assessing the Economic Impact of Ontario’s Proposed Minimum Wage Increase”, Sept. 12, 2017 [http://www.fao-on.org/en/Blog/Publications/minimum\\_wage](http://www.fao-on.org/en/Blog/Publications/minimum_wage)

<sup>4</sup> Financial Post, “Ontario municipalities are getting new powers to tax hotels and hoteliers are furious”, April 28, 2017

<sup>5</sup> Ontario Restaurant Hotel & Motel Association, “RE: City of Toronto Act (COTA) – Hotel/Lodging Room Tax”, January 17, 2017

<http://www.orhma.com/Portals/0/Insider/2017/ORHMA%20LETTERTO%20PREMIER%20HOTEL%20TAX%20COTA%20JAN%202017.pdf>

<sup>6</sup> <http://www.occ.ca/wp-content/uploads/OCC-Letter-Toronto-Hotel-Tax-1.pdf>

<sup>7</sup> Niagara Falls Review, “Diodati calls for clarity on hotel tax, DMF”, Nov. 8, 2017

<http://www.niagarafallsreview.ca/2017/11/08/tourism-sector-calls-for-clarity-on-hotel-tax-dmf>

approach, removes much of the spending oversight by those businesses who are directly impacted.

As such, the lack of a cap on this tax is a significant industry concern. At a time where municipalities are faced with increased costs and shrinking revenues, the ability to levy a simple and potentially limitless tax against non-residents may prove all too attractive. Competitiveness may be further harmed should municipalities seek to exceed rates seen in other provinces and regions; to date, every Ontario municipality who has passed the hotel tax has done so at 4 percent.

Various groups have spoken out about the potential impact of the legislation and its lack of potential restrictions, suggesting that such measures may create “noticeable losses”, and that “the impact on the convention business might be significant.”<sup>8</sup> Similarly, industry groups indicate that “the imposition of this tax with no defined amount and no cap has the potential to bring the total sales tax on a hotel room to an unprecedented high.”<sup>9</sup>

### **Recommendations:**

#### **The Ontario Chamber of Commerce urges the Government of Ontario to:**

1. Cap the Municipal Accommodation Tax at 4 percent, except in municipalities where existing Destination Marketing Program fees exceed 4 percent, in which case the cap should match that total and all funds be directed to the appropriate non-profit tourism organization.
2. Ensure businesses who pay a Municipal Accommodation Tax can participate in the oversight and distribution of the tourism-focused portion of revenues.

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<sup>8</sup> Institute on Municipal Finance & Governance, Munk School of Global Affairs, “New Tax Sources for Canada’s Largest Cities: What are the Options?”, November 2016

[https://munkschool.utoronto.ca/imfg/uploads/368/imfgperspectives\\_no15\\_kitchenandslack\\_nov\\_23\\_2016.pdf](https://munkschool.utoronto.ca/imfg/uploads/368/imfgperspectives_no15_kitchenandslack_nov_23_2016.pdf)

<sup>9</sup> Greater Toronto Hotel Association, “GHTA Responds to New Tax on Hotels in 2017/18 Provincial Budget,” April 27, 2017