



OAKVILLE

REPORT

ADMINISTRATIVE SERVICES COMMITTEE

MEETING DATE: DECEMBER 11, 2018

FROM: Economic Development and Finance Department

DATE: November 15, 2018

SUBJECT: Municipal Accommodation Tax

LOCATION:

WARD: Town wide

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RECOMMENDATION:

1. That the Municipal Accommodation Tax (MAT) Implementation Plan, detailed in the November 15, 2018 report from the Economic Development and Finance departments, be received;
2. That an interest bearing capital reserve for the Town's share of the Municipal Accommodation Tax (MAT) revenue, be established;
3. That by-law 2018-137, a by-law to establish a Municipal Accommodation Tax (MAT), attached as Appendix A to the November 15, 2018 report from the Economic Development and Finance departments, be passed;
4. That a Municipal Accommodation Tax (MAT) Administration Fee, being five percent (5%) of the MAT payable, be approved.

KEY FACTS:

The following are key points for consideration with respect to this report:

- On June 25, 2018 Council approved a four percent (4%) Municipal Accommodation Tax (MAT), to be implemented on transient accommodations with stays of less than 30 consecutive days.
- Council directed staff to prepare an implementation plan for the MAT, to be effective January 1, 2019.

- Consultation regarding the MAT implementation plan was held on October 16, 2018 with representatives from local hotels.
- This report outlines the implementation plan and includes the by-law for establishment of the MAT.

BACKGROUND:

On June 25, 2018 Council directed staff to develop an implementation plan for the establishment of a four percent (4%) Municipal Accommodation Tax (MAT) on transient accommodations, being stays of less than 30 days. Consultation with hotel representatives were held in an effort to provide for the efficient reporting, collection, and distribution of MAT revenue. Staff were also directed to report back with requisite by-laws and the establishment of a reserve for the implementation of the MAT.

COMMENT/OPTIONS:

Staff from Economic Development, Financial Operations, Municipal Enforcement Services and Legal departments have collaborated to prepare the implementation plan for the Municipal Accommodation Tax. The plan incorporates feedback from the October 16, 2018 hotel consultation regarding the administration, collection and reporting as well as transitional matters.

IMPLEMENTATION PLAN

The administrative requirements for the MAT are set out in by-law 2018-137, attached to this report as Appendix A. A summary of these requirements is set out below:

Effective Date: January 1, 2019 for accommodations of less than 30 days.

Administration: Financial Operations will be responsible for the collection, administration and distribution of the MAT, in accordance with by-law 2018-137 as well as other town by-laws and policies which provide mechanisms to collect funds owing to the Town. Accommodation providers must delineate the MAT as a separate line item on customer invoices.

Administration Fee: The Town will collect a fee of 5% of the total MAT revenue, payable to offset costs related to administration. This fee will be reviewed as part of the Rates and Fees process and may be adjusted over time. MAT legislation allows municipalities to collect a fee for the costs associated with administering the tax, and no stipulations exist regarding the amount of the fee.

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In discovery, other municipalities charge a 10% administration fee. In effort to establish a lesser fee at 5%, staff looked at means to reduce Town administration expenses. Conclusively, through the consultation process with hotel representatives, staff agreed to allow accommodation providers to have their auditors complete the audit forms provided by the Town. This in turn will reduce the expenses that the Town would otherwise incur by conducting audits.

Submission: Accommodation providers will be required to submit to the Town the following information:

- An annual Establishment Information Sheet, setting out the average room rate and number of rooms in the facility;
- A monthly MAT Remittance Report identifying the tax collected; and
- Payment to the Town for the MAT collected during the reporting period.

Obligation: Once the MAT by-law is passed, payment of the Municipal Accommodation Tax by purchasers of accommodations is mandatory on stays less than 30 days. All accommodation providers are obligated to remit the MAT to the Town on or before the 15th of the month. While a high level of compliance is anticipated, based on the experiences of other municipalities that have implemented MAT, by-law 2018-137 permits the Town to calculate and assess MAT if a provider fails to provide the requisite reporting and payment.

Staff are pursuing agreements with third party booking sites, such as Airbnb, to collect the MAT at the platform level. It should be noted that these agreements serve only to provide efficiencies in collection, and accommodation providers who use these sites are ultimately responsible for payment.

Audits: The Town will have the right to audit providers to ensure accuracy of Remittance Reports. Mechanisms will also be included to refund any amounts which may have been overpaid.

Penalties: In the event that arrears occur due to the failure of accommodation providers to remit tax revenue, Provincial legislation authorizes a number of collection and enforcement methods. Incomplete or late remittances/reporting will be subject to the Town's policies for late remittances, being the rate set out in the Rates and Fees Guidelines as the rate payable on overdue amounts owing to the Town (1.25% at the present time). The Town may take steps to collect overdue MAT including adding the amount to the tax roll, litigation, referral to a collection agency or other remedies under the Municipal Act.

Confidentiality: The Town will endeavor to preserve the confidentiality of the information submitted by accommodation providers; however, all information

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submitted will be subject to disclosure in accordance with the Municipal Freedom and Information and Protection of Privacy Act (MFIPPA).

Disbursement: Financial Operations will disburse the MAT revenue net of the stated administration fee. Fifty percent of the net revenue will be remitted to Visit Oakville to be used in accordance with the services agreement with the Town. The remaining fifty percent of the net revenue will be deposited into the “Municipal Accommodation Tax Reserve” established through this report, with said funds to be used exclusively for tourist related infrastructure or opportunities, in accordance with Council direction.

CONSIDERATIONS:

(A) PUBLIC

Industry consultation regarding the MAT implementation was held on October 16, 2018. There was representation from ten (10) of Oakville’s twelve (12) hotels at the meeting. Feedback from the discussion was used to help shape the implementation plan and simplify administration for all parties.

(B) FINANCIAL

The MAT revenue will provide a new source of revenue for the Town and Visit Oakville. The estimated annual MAT revenue is in the range of \$500,000 to \$1.1 Million which, net of an administration fee, would be split equally between the Town and Visit Oakville. At the present time, the Town provides annual funding of \$99,500 to Visit Oakville through a services agreement. There is the potential to decrease taxpayer supported costs if this funding is eliminated at the end of 2019 when the services agreement expires.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Imposition of the MAT will require resources from Financial Operations for the administration of the tax. A 5% administration fee will be deducted from the MAT revenue to recover the associated costs in Financial Operations. Economic Development will continue to provide oversight of the services agreement between the Town and Visit Oakville.

(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS

This report addresses the corporate strategic goal to:

- enhance our economic environment
- continuously improve our programs and services
- be fiscally sustainable

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(E) COMMUNITY SUSTAINABILITY

Implementation of the Municipal Accommodation tax will increase the capacity of Visit Oakville and the Town to support the tourism industry in Oakville, thus benefitting the local economy.

APPENDIX A: By-law 2018-137, a by-law to establish a Municipal Accommodation Tax

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