



Optimizing Ontario's Municipal Accommodation Tax Framework: Benefits, Lessons Learned, and Best Practices

Benefits of Municipal Accommodation Taxes to Local Visitor Economies

When implemented thoughtfully and in partnership with the tourism industry, Municipal Accommodation Taxes (MATs) deliver measurable and lasting benefits to local visitor economies and host communities. Designed as a tax on visitors rather than residents, MATs allow municipal tourism markets to reinvest tourism-generated revenues directly back into the assets, services, and experiences that attract visitors, support local businesses, and enhance community livability.

1. A Dedicated, Sustainable Revenue Source for Tourism Growth

MATs provide municipalities with a stable, non-property-tax revenue stream that grows in line with visitor demand. Since the regulation's introduction, more than 80 municipalities have adopted MATs, collectively generating approximately \$250 million annually across Ontario. This predictable funding allows communities to:

- Plan multi-year tourism investments with confidence
- Reduce reliance on annual municipal budget cycles
- Scale destination marketing and management efforts in response to market opportunities

By linking revenue generation directly to visitation, MATs create a virtuous cycle: stronger tourism performance generates additional resources to further strengthen the visitor economy.

2. Reinvestment That Multiplies Local Economic Impact

A defining feature of Ontario's MAT framework is the requirement that a minimum of 50% of net revenues be allocated to an eligible tourism entity (ETE) for destination marketing and product development. These investments deliver high returns by:

- Driving incremental visitation and visitor spending
- Extending length of stay and dispersing visitors across seasons and geographies
- Supporting festivals, events, conventions, and experiential tourism products

Marketing and destination management investments funded through MATs support not only accommodations, but also restaurants, attractions, retail, transportation providers, cultural organizations, and main street businesses throughout the community.

3. Stronger Municipal Infrastructure and Visitor Experiences

The municipal share of MAT revenues is increasingly used to support tourism-related infrastructure and services that benefit both visitors and residents, including:

- Public realm improvements (trails, waterfronts, parks, washrooms)
- Cultural, arts, and sports facilities
- Transportation, parking, and wayfinding
- Climate resilience, public safety, and visitor servicing in high-traffic areas
- Infrastructure capacity to support local and visitor use

These investments enhance the overall quality of place, improve visitor satisfaction, and help communities remain competitive in attracting visitors, talent, and investment.

4. A Partnership Model That Aligns Municipal and Industry Interests

MATs work best when municipalities and the tourism sector approach implementation as a shared partnership. Accountability agreements, joint planning processes, and transparent reporting help ensure that MAT revenues are:

- Aligned with local tourism strategies or master plans
- Invested in ways that complement, not replace, existing public funding
- Guided by market intelligence and industry expertise

This collaborative model builds trust, strengthens governance, and ensures that tourism-generated revenues are visibly reinvested to support local economic outcomes.

5. Enhanced Competitiveness and Long-Term Community Sustainability

Tourism is a cornerstone of Ontario's economy, supporting approximately 1 in 10 jobs province-wide and contributing \$32 billion to GDP annually. At the local level, MATs help communities:

- Compete more effectively for visitors, events, residents, and investment
- Address infrastructure and service pressures in tourism-heavy areas
- Support workforce-related initiatives tied to housing, transportation, and community services

By reinvesting visitor dollars back into the visitor economy, MATs help ensure that tourism growth is sustainable, inclusive, and beneficial to residents and businesses alike.

When guided by best practices, strong governance, and genuine collaboration, Municipal Accommodation Taxes are not simply a revenue tool, they are a catalyst for resilient local economies, vibrant destinations, and shared prosperity.

Reducing Red Tape and Strengthening MAT Outcomes: Lessons Learned from Implementation

The benefits outlined in Sections 1–5 demonstrate that Municipal Accommodation Taxes (MATs) can be a powerful tool to strengthen local visitor economies when implemented as intended, as a partnership-based mechanism that reinvests visitor dollars into tourism growth, infrastructure, and community sustainability.

With more than eight years of implementation experience across Ontario, a number of common challenges have also emerged. Importantly, these challenges do not reflect structural flaws in the MAT framework itself. Rather, they represent forms of avoidable administrative and governance red tape that arise from inconsistent local implementation, limited collaboration, or the absence of clear best practices. In many cases, these issues could be mitigated or eliminated through modest regulatory enhancements and broader adoption of proven implementation best practices.

Addressing these challenges is essential to preserving industry confidence, improving administrative efficiency, and ensuring MATs continue to deliver the economic and community benefits described above.

a) Limited Industry Consultation During Adoption

The benefits of MATs outlined in Sections 1–3 are strongest when municipalities engage accommodation providers and tourism stakeholders early in the adoption process. In some jurisdictions, MAT by-laws have been introduced with limited formal consultation.

Where consultation is insufficient:

- Industry and resident understanding and support for the MAT can be weakened
- Compliance challenges and administrative friction increase
- Opportunities to align MAT investments with market realities are missed

Early, transparent engagement reduces red tape by clarifying expectations, strengthening buy-in, and ensuring smoother implementation from the outset.

b) Unilateral Rate or Policy Changes Without Collaboration

Predictability and stability are essential to sustaining the reinvestment and competitiveness benefits described in Sections 1, 2, and 5. However, experience shows that some municipalities have amended MAT rates or policies without structured consultation with accommodation providers or eligible tourism entities.

Unilateral changes:

- Create operational uncertainty for accommodation operators and their customers
- Undermine the partnership-based nature of the MAT framework
- Complicate long-term destination marketing and investment planning

Collaborative change-management processes reduce regulatory friction and reinforce shared accountability for MAT outcomes.

c) Implementation Without Strategic or Regulatory Foundations in Place

The reinvestment and infrastructure benefits described in Sections 2 and 3 are most effective when MATs are implemented within a clear strategic and regulatory context. In some cases, MATs have been introduced before:

- A local tourism strategy, master plan, or eligible tourism entity is established
- Governance structures for MAT allocation are clearly defined
- Complementary municipal regulations, such as short-term rental frameworks, are in place

This sequencing can limit the effectiveness of MAT investments and create uneven tax application across accommodation types. Aligning MAT adoption with strategic planning and enabling regulations reduces downstream red tape and improves fairness, consistency, and return on investment.

d) Governance Creep in Municipal Service Corporations

The collaborative governance model highlighted in Section 4 depends on maintaining clear roles and appropriate autonomy between municipalities and eligible tourism entities. As Municipal Service Corporations (MSCs) increasingly serve as ETEs, some implementations have experienced governance creep, where municipalities exert disproportionate influence over both:

- The municipal portion of MAT revenues, and
- The industry-designated tourism portion intended for destination marketing and management by the MSC.

This can reduce industry leadership, slow decision-making, and weaken the market responsiveness required to achieve the benefits outlined in Sections 1–5. Clear governance guardrails and best practices help prevent administrative duplication and preserve the intent of shared stewardship embedded in the MAT regulation.

e) Administrative and Financial Burden on Accommodation Providers

Accommodation providers are central to the success of MATs, effectively acting as collection agents on behalf of municipalities. As noted in Section 1, MATs are designed as a tax on visitors, yet in practice, operators absorb meaningful administrative costs, including:

- Credit card processing fees on MAT collections
- Accounting, reporting, and compliance requirements
- Staff time associated with remittance and audits

These costs are not fully offset through input tax credits and represent a form of operational red tape that disproportionately impacts small and independent operators. Targeted regulatory refinements and standardized best practices could materially reduce this burden while maintaining accountability and revenue integrity.

Linking Challenges to Solutions

The challenges outlined above underscore the importance of implementation discipline, collaboration, and consistency, not a departure from the MAT framework itself. The remainder of this Best Practices document provides practical, field-tested guidance to:

- Maximize the economic and community benefits described in Sections 1–5
- Reduce unnecessary administrative and governance red tape
- Strengthen trust, transparency, and long-term effectiveness of MATs across Ontario

When supported by clear regulation and best practices, MATs remain one of the most effective tools available to municipalities to reinvest visitor dollars, strengthen local tourism economies, and enhance community sustainability.

Municipal Accommodation Tax (MAT) Best Practices

Purpose and Context

Municipal Accommodation Taxes (MATs) have become an increasingly important tool for strengthening local visitor economies across Ontario. As outlined in the accompanying *Benefits and Challenges* narrative, MATs have demonstrated their value as a dedicated, non-property tax revenue source that allows municipalities and tourism partners to reinvest visitor-generated dollars into destination marketing, product development, infrastructure, and community sustainability.

With more than eight years of implementation experience across approximately 80 Ontario municipalities, a consistent set of lessons has emerged. While the MAT framework itself is sound, practical experience has highlighted areas where inconsistent local implementation, unclear governance, or administrative complexity can create unnecessary red tape for municipalities, tourism entities, and accommodation providers.

This Best Practices document is intended to:

- Reinforce the economic and community benefits MATs can deliver when implemented effectively
- Reduce avoidable administrative and governance friction
- Provide municipalities, eligible tourism entities (ETEs), and accommodation providers with practical, field-tested guidance
- Support consistent, collaborative, and transparent MAT implementation across Ontario

These best practices are designed to apply at all stages of MAT maturity, from early exploration and adoption, to mid-cycle reviews, rate changes, and long-term governance refinement.

MAT Overview

What is a MAT?

A Municipal Accommodation Tax is a tax on paid accommodation stays of 29 consecutive nights or fewer. Adoption is optional and enacted through municipal by-law under the Municipal Act, 2002 (s.400.1) and Ontario Regulation 435/17.

Municipal MAT By-laws typically address:

- Purpose
- MAT rate (commonly 3–4%)
- Accommodation types included or exempted
- Collection and remittance processes
- Audit, inspection, and enforcement provisions
- Accountability agreements with eligible tourism entities
- Processes for future amendments or rate changes

Where can it be applied?

MATs may be implemented by:

- Single-tier municipalities
- Lower-tier municipalities

MATs may not be applied in upper-tier municipalities, unincorporated areas, Crown lands, or First Nation reserve communities.

What accommodations are covered?

Unless exempted by a municipal by-law, MATs typically apply to:

- Hotels, motels, and inns
- Bed and breakfasts
- Short-term rentals

Common exemptions include:

- Long-term stays (30+ nights)
- Emergency shelters
- Employer-provided housing
- Campus residences
- Non-fixed roof accommodation

Revenue Sharing and Accountability

- A minimum of 50% of net MAT revenues must be allocated to an eligible tourism entity (ETE)
- Up to 50% may be retained by the municipality, increasingly allocated to tourism-related infrastructure and services
- Municipalities and ETEs must enter into accountability agreements that define governance, reporting, and collaboration expectations

Use of MAT Revenues

Eligible Tourism Entities typically fund:

- Destination marketing and brand development
- Product and experience development
- Visitor servicing platforms and centres
- Convention and event attraction
- Emerging sectors (Indigenous, agri-tourism, wellness, sustainable tourism)
- Economic development initiatives benefiting the visitor economy

Municipal MAT allocations often support:

- Tourism-related infrastructure and public realm improvements
- Transportation, parking, and wayfinding
- Arts, culture, and sport facilities
- Community improvement initiatives tied to workforce and livability

Best practice ensures MAT revenues supplement, rather than replace, existing public investment.

Implementation Best Practices

The following provincial best practices reflect implementation experience gained through more than eight years of Municipal Accommodation Tax administration across Ontario. They are intended to complement the proposed regulatory amendments by supporting municipalities and Destination Marketing Organizations at every stage of MAT maturity, from initial adoption through long-term governance and continuous improvement.

1. Partnership-Based Planning

Encourage municipalities to establish MAT programs through early and ongoing collaboration with:

- Destination Marketing Organizations;
- Accommodation providers;
- Tourism operators;
- Economic development organizations;
- Business Improvement Areas;

- Chambers of Commerce; and
- Other local visitor economy stakeholders.

Early engagement improves implementation, strengthens local support, and helps ensure MAT investments reflect shared community priorities.

2. Tourism Strategy Alignment

Encourage municipalities to implement MAT programs within the context of broader destination development and economic development planning.

MAT investment strategies should be aligned, where appropriate, with:

- Tourism master plans;
- Destination management plans;
- Municipal economic development strategies;
- Investment attraction initiatives;
- Destination competitiveness objectives.

3. Regulatory and Implementation Readiness

Encourage municipalities to put the necessary local policy and regulatory foundations in place before implementing a Municipal Accommodation Tax.

Best practices should include:

- Ensuring short-term rental licensing, registration, zoning, enforcement, and data-sharing mechanisms are in place, where applicable;
- Applying MAT consistently across taxable accommodation types, including hotels, motels, bed and breakfasts, short-term rentals, etc;
- Recognition of common exemptions, e.g., visitor-supplied, non-fixed roof accommodations, e.g. tents, RVs, boats;
- Acknowledge and support collection responsibilities, remittance requirements, audit provisions, and enforcement processes;
- Sequencing MAT program implementation with relevant municipal by-laws and administrative systems to avoid inequitable treatment, compliance gaps, and unnecessary enforcement challenges.

Aligning MAT adoption with complementary local regulations helps ensure fairness across accommodation types, improves compliance, and reduces administrative and enforcement burdens for municipalities and operators.

4. Governance Best Practices

A minimum of 50% of net MAT revenues must be allocated to an eligible tourism entity (ETE). ETEs are not-for-profit organizations mandated to promote and develop tourism through destination marketing and management. Common models for such Destination

Marketing and Management Organizations (DMO) include:

- Industry-led Not-for-Profit Corporations
 - Member-driven and market-responsive
 - Often partner with local accommodation associations
 - Often destination marketing and management organizations
- Municipal Service Corporations (MSCs)
 - Offer formal accountability and municipal alignment
 - Require careful governance design to preserve operational autonomy

When adopting a MAT, recognize that Destination Marketing Organizations may operate as either industry-led not-for-profit corporations or Municipal Service Corporations and encourage governance practices appropriate to each organizational model.

Best practices should include:

- Operational independence;
- Clear accountability agreements between municipalities and ETEs
- Meaningful tourism industry participation;
- Regular governance reviews;
- Board competency and succession planning;
- Conflict-of-interest policies;
- Transparent reporting and controls;
- Municipal engagement appropriate to the governance model;
- Contemporary governance practices reflecting the scale and stewardship of public funding.

Where MSCs are used, governance structures should ensure that industry representatives are not in a minority position and that the ETE can operate independently within its mandate.

5. Performance Measurement and Public Reporting

Encourage municipalities and Destination Marketing Organizations to:

- Establish common performance indicators;
- Measure tourism and economic outcomes;
- Publish annual MAT reports;
- Evaluate investment effectiveness;
- Use evidence to inform future investment decisions.

6. Municipal-Destination Marketing Organization Partnerships

Encourage municipalities and Destination Marketing Organizations to:

- Establish clear accountability agreements outlining revenue sharing as well as governance, consultation, and collaboration mechanisms;
- Establish shared visitor economy priorities;
- Coordinate municipal and tourism investments where appropriate;
- Undertake regular strategic planning sessions;

- Consider local tourism advisory committees or other collaborative engagement mechanisms inclusive of all tourism sectors, e.g., accommodations, food and beverage, attractions, outdoor adventure, festivals and events, transportation, etc.

7. Administrative Excellence

Accommodation providers incur real costs in collecting and remitting MAT, including credit card processing fees, accounting requirements, and staff time. Best practices to reduce operational red tape include standardized approaches to:

- Remittance schedules;
- Reporting templates;
- Audit protocols;
- Technology platforms;
- Addressing pre-paid and contracted reservations;
- Compliance processes and administrative cost recovery.

The objective should be to reduce administrative burden for both municipalities and accommodation providers while improving consistency across Ontario. Recognizing and mitigating administrative burden improves compliance and long-term industry support.

8. Use of Municipal MAT Revenues

Encourage municipalities to prioritize MAT investments that strengthen long-term visitor economy competitiveness, for example:

- Tourism-supporting infrastructure;
- Public realm improvements;
- Transportation, parking and wayfinding;
- Arts, culture, festivals and sport infrastructure;
- Destination development initiatives;
- Projects that enhance resident and visitor experiences alike.

Further encourage municipalities to ensure MAT revenues supplement, not replace, existing investments supporting tourism, culture, recreation, and community development.

Conclusion

MATs are most effective when built on partnership, transparency, and strategic alignment. Clear governance and accountability reduce red tape and improve outcomes. Administrative efficiency supports compliance and trust. Regular review ensures MAT frameworks continue to meet local needs

When guided by these best practices, MATs remain a powerful and credible tool to reinvest visitor dollars, strengthen local economies, and enhance community sustainability.