

**Ministry of
Municipal Affairs**

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**Ministère des
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Dear Head of Council:

As you know, the 2017 Ontario Budget proposed that single-tier and lower-tier municipalities be provided with the authority to implement a tax on transient accommodation, should they choose to do so. I am writing to inform you that the relevant legislative changes will come into force on December 1, 2017.

Under the legislation, it will be the choice of a municipality whether to implement a tax on transient accommodation. Should a municipality choose to implement a tax, it would have the flexibility to determine the design of the tax, including its rate(s), administration, collection and the scope of its application.

Regulations under the *Municipal Act, 2001* and *City of Toronto Act, 2006*, set out rules for tax revenue sharing with eligible not-for-profit tourism organizations. These regulations will come into force on December 1, 2017. Key matters addressed by the Municipal Act regulation include:

- Municipalities that choose to implement a tax on transient accommodation will be required to share revenues from the tax with eligible not-for-profit tourism organizations.
- Where no Destination Marketing Program (DMP) existed prior to the imposition of the tax, the municipality will generally be required to share 50 per cent of transient accommodation tax revenues with one or more eligible not-for-profit tourism organizations chosen by the municipality.
- Where a DMP existed in a municipality prior to the imposition of a transient accommodation tax, the municipality will generally be required to share an amount equal to the greater of:
 - the total amount of DMF revenues received by the eligible not-for-profit tourism organization under a DMP from accommodations in the municipality, in the fiscal year before the tax came into effect, and
 - the total sharing amount paid by the municipality to the eligible not-for-profit tourism organization in the previous year, adjusted by a 10-year rolling average of the annual percentage change in Ontario's total tourism receipts, as published by the Ministry of Tourism, Culture and Sport.

- Municipalities would need to ensure they share revenues pursuant to the rules set out in the regulations. Municipalities may retain any remaining tax proceeds for their own purposes.
- The rules set out the amount of tax revenue sharing that must occur, but in no case do the regulations require municipalities to make payments to tourism organizations that exceed the tax revenue they collect in a particular year.

The provincial government recognizes the importance of helping municipalities invest in their communities. We also recognize the importance of promoting Ontario as a destination for tourism, and ensuring the vitality of Ontario's tourism sector. Therefore, the regulations balance the interests of the tourism and municipal sectors. To help ensure the tax is implemented in a way that benefits the municipality and the local tourism industry, we encourage both sectors to work together on this important issue.

The provincial government recognizes that municipalities are mature, accountable and responsible local governments. We have a strong record of supporting and working with the municipal sector and we look forward to continuing this partnership.

Sincerely,



Bill Mauro
Minister

- c. The Honourable Eleanor McMahon, Minister of Tourism, Culture and Sport
The Honourable Charles Sousa, Minister of Finance
Municipal clerks of all single-tier and lower-tier Ontario municipalities