



Report to Council

Department: Development Services
Division: Economic Development
Date: August 11, 2025
Prepared by: Nelson Silveira, Manger, Economic Development
Report Number: Economic Development-2025-07
Subject: Municipal Accommodation Tax
Number of Pages: 9

Recommendation(s)

That Economic Development-2025-07 entitled Municipal Accommodation Tax prepared by Nelson Silveira, Manager, Economic Development dated August 11, 2025 be received, and

That Council directs Administration to continue to explore the feasibility and impacts of implementing a Municipal Accommodation Tax including the preparation of a follow-up report specific to governance and administrative considerations as well as information gathered through the public consultation process outlined in this report.

Purpose

To provide Council with additional information and considerations regarding the implementation of a Municipal Accommodation Tax (MAT) in the Town of Essex. This report follows direction from Council as identified in the Town's 2023-2027 Strategic Action Plan. Furthermore, this report will provide municipal specific impacts and processes required in response to the Tourism Windsor Essex Peele Island (TWEPI) presentation to Council on May 5, 2025 where Council adopted the following resolution R25-05-204:

That Council direct Administration to bring a report to Council prior to August 31, 2025, considering the proposed Municipal Accommodation Tax, including Tourism Windsor Essex Pelee Island's proposal that Council endorses the need to implement the Municipal Accommodation Tax in the Town of Essex.

Background and Discussion

Preliminary investigation by Administration indicates that the implementation of a MAT could have several potential benefits for the municipality. It could generate additional revenue for tourism-related activities and projects, help fund the promotion of local attractions, events, and festivals, and support municipal infrastructure used by both residents and tourists. This report provides an overview of the MAT and the initial steps to investigate. The information generated from the proposed steps would provide Council with relevant and valuable information to consider the challenges and opportunities for future decision making related to MAT.

Municipal Accommodation Tax

The Municipal Accommodation Tax (MAT) is a tax levied on visitors who stay in accommodations within a municipality. This tax was introduced in Ontario through O. Reg. 435/17: Transient Accommodation Tax in 2017 as a tool for municipalities to generate additional revenue for tourism-related activities and projects. Since this time, roughly 70 of the 444 municipalities across the province have implemented or are in the process of implementing a MAT. Some examples of municipalities that have adopted a MAT include South Bruce Peninsula, the Town of the Blue Mountains, Midland, Huntsville, Barrie, London and Windsor.

Of the municipalities that have implemented a MAT, most have implemented a 4% tax rate. It is noted that some municipalities implemented a phased approach (i.e. 4% in year 1, 5% in year 2, 6% in year 3) and some have increased their rates in recent months, including the City of Windsor (6%). The tax is paid by the visitor and collected by the accommodation provider at the

time of booking or check-in and is then remitted to the municipality on a regular basis. Each municipality that chooses to implement a MAT determines the types of accommodation providers that the tax would apply to (i.e.: hotels, short-term rentals, campgrounds, etc.). In the Municipal Accommodation Tax legislation, in general terms, stays of 28 days or less could be considered for the tax.

Municipal Accommodation Tax Funding

The provincial regulation stipulates that the municipality can retain up to 50% of the MAT net revenue, with the remainder distributed to a not-for-profit eligible tourism entity and used exclusively to promote tourism in the area. TWEPI has a long established and proven track record of promoting the region and providing value to municipal partners and would be the most qualified to handle MAT funded tourism promotion.

The remaining 50% municipal portion of funds can be used by the municipality at its discretion for services and infrastructure, however, typically these funds are used to enhance tourism-related amenities that would also benefit residents including revenue to support parks, beaches, trails, facilities, etc.

Rationale for Municipal Accommodation Tax Implementation

Providing Council with information prior to implementing a MAT aligns with Council's Strategic Plan and the recommendation provided by TWEPI. Implementation of a MAT can provide a sustainable, visitor-funded solution to support tourism growth in the Town of Essex. As tourism becomes an increasingly important driver of our local economy, the MAT creates a dedicated revenue stream to invest in key initiatives such as destination marketing, tourism infrastructure, and community beautification without placing additional tax pressure on residents. Funding for tourism is often limited, however, implementation of the MAT could provide crucial funding to ensure we can remain competitive, attract more visitors, and enhance the overall experience for both tourists and locals.

Collection of the Municipal Accommodation Tax

If a MAT is implemented in a municipality, it is a mandatory fee, and the collection details are established by way of a municipal by-law. The fee is paid to the accommodator by the visitor, and the accommodator submits the tax collected to the municipality. The accommodator will be required to include on every invoice or receipt a separate item identified as the Municipal Accommodation Tax. They must remit a report either monthly or quarterly stating the MAT collected for the previous period. Most rental/booking platforms have the option of adding the MAT tax easily to their platforms. Forms would need to be developed and available on the Town of Essex website. Failure to pay could result in penalties and collection to be added to the tax roll for collection. The Director, Corporate Services/Treasurer would be responsible for administering and enforcing the By-law to collect the MAT and establish related procedures and documents. The MAT can be administered and collected either:

- Directly by the Municipality
- By a third-party contracted to collect the tax or regional shared service (e.g. City of Windsor, etc.)
- By the not-for-profit tourism entity (e.g. TWEPI)

Evaluation for each method of collection for each of the above options would be investigated as part of this process and presented back to Council for direction.

Stakeholder Awareness and Engagement

Through the next steps of this work, communications and engagement will take place to ensure clarity and transparency. Gathering input from stakeholders to understand the feasibility and potential impact on the community, local accommodation providers, and tourism stakeholders would be a part of this process.

Initial conversations with municipal staff in other communities in the region identified the importance of creating awareness regarding the benefits of the MAT as well as having

discussions with stakeholders to understand both the positive and negative impacts before implementing a MAT. Groups to engage include commercial accommodators, short term rental operators, the Harrow and Colchester South Chamber of Commerce, Essex Centre Business Improvement Area (BIA), local tourism businesses, the Regional Tourism Organization (TWEPI), Air BNB, VRBO, potential visitors and the public.

Municipal Accommodation Tax in the Town of Essex

According to data provided by TWEPI sourced from MetaBase and Smith Travel Research, which collects information on units currently available for short term stays including STRs, B&Bs, and hotels/motels, there are 189 accommodation listings in the Town of Essex. If a MAT was implemented in the Town of Essex, the estimated collection at a 4% return on those 189 listings would be \$196,000 to be spilt 50/50 with TWEPI (\$98,000).

The table below determines the overall estimated breakdown for 4%, 5%, and 6% MAT:

	4% MAT	5% MAT	6% MAT
Town of Essex	\$98,000	\$122,500	\$147,000
TWEPI	\$98,000	\$122,500	\$147,000
Total MAT Revenue	\$196,000	\$245,000	\$294,000

Source: MetaBase and Smith Travel Research

The table below determines the estimated additional charge on a nightly accommodation bill.

Nightly Average Rate	4% MAT	5% MAT	6% MAT
\$269.87	\$10.79	\$13.49	\$16.19

It is important to note that these figures are only estimates and figures are subject to change based on annual accommodation revenue, occupancy, number of accommodation units, and MAT rate. It should also be noted that the analysis was a point in time exercise and does not consider inflationary costs or future development of accommodations in the Town of Essex. Although initial estimates show a clear 50/50 split of MAT revenue, it's important to highlight that the split of the annual revenue between the Town and the eligible tourism entity (TWEPI) will be subject to costs related to administering the collection. Those costs can be taken directly from the total MAT revenue.

Collection and remittance of the MAT requires additional resources whether it be through municipal administration, or the regional shared remittance service model as proposed by TWEPI. Additional costs related to collection of MAT can be funded from the overall collection of MAT funds. Further assessment will be required by Administration to evaluate whether a regional shared service is more feasible for collection of the MAT or if more feasible to collect in-house by Town of Essex administration.

As part of implementing the MAT, the Town would develop a Memorandum of Understanding (MOU) with TWEPI. This agreement would outline how at least 50% of the net MAT revenue would be allocated to support tourism promotion and development. The MOU would define the roles and responsibilities of both parties, outline how and when funds will be distributed, and include reporting requirements to ensure transparency and accountability. It will also establish expectations around how funds can be used, aligned with municipal priorities and tourism goals. This formal agreement is essential to ensure that MAT revenues are effectively reinvested in initiatives that grow the local tourism economy and benefit the broader community.

Considerations and Next Steps

If Council wishes to proceed in continuing the reviewing the feasibility of MAT, staff are recommending that a follow-up report be prepared to detail the specifics related to the governance, structure, and administrative and operational procedures of a MAT program. This process would allow staff the time to consult stakeholders, develop draft policies, procedures and by-laws that would be required. This work would include a framework related to governance and structure options, policies related to the use of MAT funds, collection/remittance procedures, enforcement, and more.

In addition to preparing the draft policy framework, Administration would launch a stakeholder consultation and public engagement process. The consultation process would include three primary activities to engage accommodation providers, tourism operators, local businesses and residents:

1. **Public Stakeholder Survey** – A public survey for residents, local business owners, organizations and tourism operators to share their feedback and perspectives on local tourism and MAT.
2. **Accommodation Industry Session** – To further engage accommodation providers in a more in-depth setting, one in-person session would be held in Fall 2025 after survey results are collected. The discussion would involve open dialogue, questions around attendees' general understanding of a Municipal Accommodation Tax, education regarding benefits of MAT, possible strengths and weaknesses of implementing a MAT in the Town of Essex, opportunities and challenges that would come with a MAT, and additional concerns and areas of inquiry to further clarify.

Implementation Timeline

There are key considerations that must be addressed when determining the implementation date, including implementation of MAT in neighbouring communities, ongoing discussions with TWEPI, by-law and collection mechanism development, and

appropriate notice to the accommodations sector as well as potential visitors. Given that the Town of Essex is home to a significant number of accommodations, and that there is widespread usage of the MAT across comparable municipalities in the Province, Administration recommends that Council investigate, consult, and consider the implementation of a MAT locally. Administration has worked closely with neighbouring communities and TWEPI to align the approaches to MAT in a consistent manner to create a more cohesive ecosystem across the region. The proposed timeline below considers all the above:

Phase	Timeline Estimate
Public Engagement Process	September 1, 2025
MAT Findings Report	December 1, 2025
Presentment of Draft MAT By-law	January 19, 2026
Final Reading of MAT By-law	February 17, 2026
Implementation/Launch	March 31, 2026

Financial Impact

Currently there is no financial impact. Staff will provide Council with full costing details in a future staff report if direction to proceed is provided.

Consultations

Kate Giurissevich, Chief Administrative Officer

Lori Chadwick, Director, Development Services

Link to Strategic Priorities

- Embrace asset management best practices to build, maintain, and continuously improve our municipally owned infrastructure.
- Leverage our Town's competitive advantages to promote jobs and economic investment.
- Take care of our natural environment and strengthen the sense of belonging to everyone who makes Essex "home".
- Deliver friendly customer service in an efficient, effective, and transparent manner while providing an exceptional working environment for our employees.
- Build corporate-level and community-level climate resilience through community engagement and partnership and corporate objectives.

Report Approval Details

Document Title:	Municipal Accommodation Tax - Economic Development-2025-07.docx
Attachments:	
Final Approval Date:	Aug 6, 2025

This report and all of its attachments were approved and signed as outlined below:



Lori Chadwick, Director, Development Services - Aug 6, 2025 - 8:43 AM



Kate Giurissevich, Chief Administrative Officer - Aug 6, 2025 - 8:44 AM