

**Ministry of Tourism,  
Culture and Sport**

Minister

9th Floor, Hearst Block  
900 Bay Street  
Toronto, ON M7A 2E1  
Tel: 416 326-9326

**Ministère du Tourisme,  
de la Culture et du Sport**

Ministre

9<sup>e</sup> étage, édifice Hearst  
900, rue Bay  
Toronto (Ontario) M7A 2E1  
Tél. : 416 326-9326



November 24, 2017

Dear tourism partner:

As you know, in response to the requests from the municipal sector, the 2017 Budget granted municipalities the authority to implement a tax on transient accommodations, should they choose to do so. I am writing to let you know that the relevant legislative changes will come into effect on December 1, 2017.

The new regulations will provide municipalities with the flexibility to determine the design, administration and collection of the tax. The regulations also recognize the importance of tourism in Ontario communities by maintaining funding to existing tourism organizations that have benefitted from Destination Marketing Fees (DMF) in the past.

While we support the efforts of municipalities to raise additional revenue, we have been clear that municipalities who chose to introduce a tax on transient accommodation must do so in a way that ensures we can maintain a stable, vibrant tourism environment.

These legislative changes will give single-tier and lower-tier municipalities the ability to implement a tax on transient accommodations by enacting the appropriate by-laws. This will include a number of requirements:

- Municipalities will be required to share the revenues with not-for-profit tourism organizations, such as Regional Tourism Organizations or local Destination Marketing Organizations.
- Where a DMF program existed in a municipality prior to the imposition of the tax, the municipality will generally be required to share the greater of:
  - the total amount of DMP revenues received by the tourism organization under a DMP from accommodations in the municipality, in the fiscal year before the tax came into effect, or
  - the amount paid by the municipality to the tourism organization in the previous year, adjusted by a 10-year rolling average of the annual percentage change in Ontario's total tourism receipts, subject to a 2-year lag.

.../2

- Where no formal DMF exists, at least 50 per cent of the revenues from the tax less the municipality's reasonable costs of collecting and administering the tax must be shared with an eligible tourism organization.
- The rules set out a minimum amount of tax revenue sharing that must occur, but in no case do the regulations require municipalities to share more tax revenue than they collect.

Based on consultations with the tourism industry, a number of changes were made to the regulations. These include expanding the definition of tourism promotion to include tourism development, and ensuring that amounts transferred from hotel associations to tourism organizations out of reserves of DMF revenues built up prior to the introduction of a tax, will not be deducted from the amounts to be shared by municipalities in years that a tax is in effect.

Ontario's tourism industry is a significant economic driver that helps create good, sustainable jobs across the province. It is important that the municipality and the local tourism industry continue to work together to ensure that it is implemented in a way that benefits both parties. We also expect both parties to balance this new authority with the need to protect consumers and ensure their regions remain competitive tourism destinations.

The final regulations balance the interest of the tourism sector and municipal requirements.

Our government is a great supporter of Ontario's tourism industry, and we look forward to continuing our work with you to grow tourism in the province.

All my best,

A handwritten signature in black ink, appearing to read 'Eleanor McMahon', written in a cursive style.

Eleanor McMahon  
Minister