EX30.4.1

From:	Doug Frost
To:	Executive Committee
Cc:	Amy Buitenhuis
Subject:	FOBBA - Comments on Proposed Municipal Accommodation Tax - Submission to January 24 Executive Committee Meeting
Date:	Monday, January 22, 2018 3:26:45 PM

The Federation of Ontario Bed & Breakfast Accommodation (FOBBA) has reviewed the Toronto city staff report to the Executive Committee on the implementation of a Municipal Accommodation Tax (MAT). FOBBA has been discussing similar proposals in other Ontario municipalities and we wish to share our comments and suggestions.

- We agree that in principle the MAT should be applied to the accommodation charges at a single rate to all forms of permitted short-term accommodation. Applying different rates to different types of properties would have significant market consequences given the visibility of the MAT to the guest. However, as we note in the points below, consideration should be given to administrative efficiency.

- The report proposes that charges for ancillary services related to the stay will be tax exempt. While traditionally B&Bs have included the cost of breakfast and other services in the nightly rate, the proposal will encourage B&Bs to itemize such service charges on the invoice, complicating the administration of the tax for the B&B and the City.

- The collection agent for the MAT on short-term rentals, other than hotels, is proposed to be the licensed short-term rental companies (i.e. the online rental companies). Traditional B&Bs take most bookings directly, so would be required to collect and remit MAT directly to the city on any bookings not made through a licensed short-term rental company. This places administrative burdens on what are very small B&Bs operating out of private residences. There are also administrative burdens placed on the city by having to deal with many additional filers and collection agents.

- In an Ontario-wide survey of traditional B&Bs completed in 2015, it was found that 70% had annual revenues under $30,000 and 25% had annual revenues under $10,000. The average was $20-25,000. At a 4% tax rate, the annual MAT collected on $25,000 of accommodation revenues would only be $1,000. In order to ease the administrative burden, there should be a de minimis rule in place excluding very small operators. For example, the requirement to collect/remit the tax should only be applied to operators with annual accommodation revenues in excess of $30,000. Secondly, the frequency of filings and remittances should be reduced for small operators (say those with annual accommodation revenues between $30 – 50,000).

- An even simpler approach would be to consider a broader exemption. We recommend that Toronto consider Ottawa's approach for eliminating the administrative burdens associated with smaller operators who do not work through an online rental company. Ottawa City Council approved an exemption for small, traditional B&B operators who meet the following eligibility criteria, to the satisfaction of the City Treasurer:

(a) The Bed & Breakfast establishment meets the definition of the Zoning By-law 2008-250 as amended;

(b) The Bed & Breakfast establishment is **occupied and operated by the property owner**, and is **classified in the residential property tax class**; and

(c) The **accommodation purchases are invoiced by the Bed & Breakfast establishment and not a third party home-sharing listing entity**.

Effectively this exemption would limit the number of collection agents for the MAT on short-term rentals to the licensed short-term rental companies.

- If the City determines that traditional B&Bs should have to collect the tax on direct bookings, then B&Bs would want to ensure that the funds collected are used to fund local tourism development and promotion. We note that a portion of the tax revenues are to be directed to Tourism Toronto. There should be governance/ management structure put in place at Tourism Toronto to ensure that it receives input from short-term rental hosts who are forced to collect the MAT.

- The report indicates that data on the current destination marketing fee is not available. Until it is available, it may be premature to set the MAT rate at 4%.

- A significant portion of the MAT revenues are to be retained by the City. The report indicates that these funds will be included in the non-program revenues of the preliminary 2018 budget. While this will be a matter for council to consider, we suggest that the City use these funds in a way which enhances Toronto as an international tourist destination. For example, while Tourism Toronto focusses on shorter-term promotional activities, these funds provide an opportunity for investment in longer-term capital or infrastructure projects. Given the high cost and shortage of short-term accommodation in Toronto, the City could also consider measures that may attract additional private sector investment.

Regards
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