



November 1, 2024

FIFA World Cup Subcommittee
City of Toronto
100 Queen St W
Toronto, ON M5H 2N2

RE: Municipal Accommodation Tax Increase

Dear FIFA World Cup 2026 Subcommittee,

I am writing to you on behalf of the Ontario Restaurant Hotel Motel Association to address our concerns regarding the proposed increase to the Municipal Accommodation Tax (MAT) in Toronto.

While we understand the city's financial needs, increasing the MAT is a short-term fix that we believe will have long-term negative implications for the hospitality sector and overall tourism. In May of 2023 the MAT increased from 4% to 6%, and now there is consideration for yet another increase. With the proposed 2.5% increase, the MAT will be more than doubled in less than two years. We feel this is unwarranted.

The decision to host FIFA presents an opportunity for the city to showcase itself, potentially drawing visitors who will return and generate more business and revenue. However, we must consider the long-term implications of this decision in impacting their overview experience of the City of Toronto. We risk becoming short-sighted if we believe that merely increasing taxes is a solution to our problems; such actions can spiral out of control and harm our industry.

Research has consistently indicated that consumers are less willing to accept increased fees when these are framed as taxes, as opposed to being described as contributions aimed at promoting a destination. It is important to clarify that this tax primarily affects Ontarians, as 80-85% of hotel stays in Toronto are by residents of Ontario, including many Torontonians. Therefore, it is crucial to recognize that this is not merely a tax on hotels; it is a tax levied on the Ontario residents who choose to stay in them.

Moreover, the MAT has been left to the municipalities to manage, and it should be utilized wisely with a focus on long-term returns on investment. Unfortunately, this has not been the case in Toronto. As a provincial association, we have observed that the majority of municipalities across Ontario allocate 100% of their MAT revenue towards initiatives that foster tourism growth. This strategic use of funds leads to a significant return on investment (ROI). The Destination Marketing Organization (DMO) portion is dedicated to promotional activities, while the municipal portion supports major tourism projects, product development, and infrastructure enhancements. Such investments not only benefit the tourism sector but also have a positive ripple effect to the huge supply chain including on retail, manufacturing, and various other services, ultimately boosting trade and visitor returns.

Additionally, we must highlight the growing competitiveness issues facing Toronto. Although it may be premature for a comprehensive impact study, it is evident that the city is losing substantial business to neighboring municipalities, making it increasingly uncompetitive. Visitor numbers including conventions are expected to decline by 2025 compared to 2019 levels. Last year, international visitors, particularly from the U.S., were down by 25% from 2019 figures, and feeder markets, such as China, are not currently producing results.

We would also like to address the MAT cost to hotels. This is an important issue regarding the credit card processing fees associated with the MAT. Hotels participating in the MAT should be able to retain the credit card processing fees charged by credit card companies on the MAT amount. Currently, hotels absorb this processing fee, which significantly impacts their overall costs.

MAT Tax	6%	8.50%
Total Hotel Rooms	125	125
Annual Occupancy	73%	73%
Average Daily Rate	238	238
Rooms Revenue	\$ 7,926,888	\$ 7,926,888
Total MAT Fee	\$ 475,613	\$ 673,785
Credit Card Fees (3%)	\$ 14,268.40	\$ 20,213.56

Recommendations:

1. **Consult with stakeholders before proceeding:** Engage industry representatives to ensure all perspectives are considered.
2. **Review the tourism spending of MAT:** Assess how these funds can effectively support tourism growth.
3. **Exempt credit card processing fee costs charged on MAT:** Allow hotels to retain these fees to alleviate financial burdens.

This proposed increase in tax will generate approximately \$57 million for the City of Toronto, of which \$1.7 million dollars will be the direct expense incurred by hotels for credit card fees.

We are concerned that the discussion around the MAT increase is occurring without adequate consultation with the tourism industry. We urge you to consider the long-term implications of such a decision and to engage with industry stakeholders to ensure that any financial strategies support the overall health of Toronto's hospitality sector.

Thank you for considering our perspective on this important matter. We look forward to your response and hope you work with the hotel industry towards solutions that will benefit both the city and its hospitality industry.

Sincerely,



Tony Elenis
President & CEO
ONTARIO RESTAURANT HOTEL & MOTEL ASSOCIATION

About ORHMA:

The Ontario Restaurant Hotel & Motel Association (ORHMA) is the largest provincial hospitality association in Canada. With over 4,000 members, representing more than 11,000 establishments across the province, ORHMA is uniquely positioned to represent the issues that most impact your business. ORHMA represents the industry's interests at both the Provincial and Municipal levels of government.