

6. That Council approve the Tourism Municipal Services Corporation (MSC) Business Case Study (Attachment 2), and authorize staff to incorporate a tourism - focused Municipal Services Corporation, named "Experience Clarington" if available, pursuant to Section 203 of the Municipal Act, 2001 and Ontario Regulation 599/06; and that the Deputy CAO, Finance & Technology/Treasurer be authorized to execute any supporting documents required to obtain consent for incorporation, including any documents required by the Regional Municipality of Durham or the Province, as applicable;
7. That Council approve a one - time start - up loan in the amount of \$15,000 to support incorporation and initial operations of the tourism - focused Municipal Services Corporation, to be repaid from the Corporation's future share of Municipal Accommodation Tax (MAT) revenues; and that the Deputy CAO, Finance & Technology/Treasurer be authorized to execute any documents required to administer the loan, in a form satisfactory to the Municipal Solicitor.
8. That for the purposes of incorporation, Council appoint the following positions as interim incorporators/first directors of the Municipal Services Corporation: one Member of Council (as appointed by the Mayor), the Director of Economic Development, the Deputy CAO, Finance & Technology/Treasurer, and up to two additional municipal staff; and that staff report back to Council with recommendations on the permanent Board composition, corporate by-laws, financial accountability agreement, asset transfer policy, annual budget, and other documents necessary to operationalize the Corporation;
9. That the Director of Economic Development be granted the authority to enter into agreements with the Municipal Services Corporation, including all ancillary documents, respecting reasonable financial accountability matters required under Ontario Regulation 435/17 to ensure MAT funds provided to the Corporation are used for the purpose of promoting and supporting tourism in Clarington, all in a form satisfactory to the Municipal Solicitor;
10. That a Municipal Accommodation Tax (MAT) Reserve Fund be established to receive the Municipality's share of net MAT revenues, and that staff bring forward a MAT Reserve Fund Policy for Council approval;
11. That staff report back to Council in Q1 2027 on MAT program implementation and MSC set-up status.

Report Overview

This report presents the draft Municipal Accommodation Tax (MAT) By-law and outlines the key program elements required for implementation. It highlights the proposed framework for MAT administration, collection, and compliance, building on Council's 2025 direction to advance the program. The Business Case Study for a tourism- focused Municipal Services Corporation (MSC) is also provided to support future governance of MAT revenues.

1. Background

- 1.1 At its meeting on October 6, 2025, General Government Committee considered Report [CAO- 016- 25](#), Proposed Municipal Accommodation Tax Program, which provided an overview of the Municipal Accommodation Tax (MAT) framework, including a jurisdictional scan, policy context, and proposed implementation approach.
- 1.2 Following its review of Report CAO- 016- 25, Council endorsed the proposed Municipal Accommodation Tax and directed staff to undertake additional work to advance the program. The Council directions included:
 - That the proposed Municipal Accommodation Tax be endorsed;
 - That staff develop a Municipal Accommodation Tax By-law in accordance with the proposed MAT framework; and
 - That staff complete a business case to support the implementation of a tourism- focused Municipal Services Corporation (MSC).
- 1.3 The October 2025 report provided Council with a detailed explanation of the MAT, including its purpose, common rates and practices across Ontario, and the provincial regulatory requirements governing MAT revenue allocation. This information remains unchanged and is not repeated here.
- 1.4 In accordance with Council's directions, staff have prepared a draft MAT By-law that establishes the structure, administration, collection requirements, exemptions, and compliance mechanisms for the local program. Staff have also completed the business case for a tourism- focused Municipal Services Corporation, which is required to serve as the eligible tourism entity under [Ontario Regulation 435/17](#).
- 1.5 This report brings forward both documents for Council's consideration and provides an overview of the key elements of the draft MAT By-law that will guide the implementation of the Municipal Accommodation Tax in Clarington.

2. Overview of Draft Municipal Accommodation Tax (MAT) By-law

Purpose and Legislative Authority

2.1 The draft by-law establishes a Municipal Accommodation Tax (MAT) for transient accommodations in Clarington under the authority of [s. 400.1 of the Municipal Act, 2001](#) and [Ontario Regulation 435/17 \(Transient Accommodation Tax\)](#). It sets out the rules for application, exemptions, collection and remittance, enforcement, and administration of the MAT. The by-law is presented to implement Council's October 2025 direction to prepare a MAT by-law and bring it forward for consideration.

Scope of Application and Rate

- 2.2 The MAT applies to the purchase of transient accommodation of up to twenty-nine (29) consecutive days in an establishment where accommodation is provided, including in cases of cancellation where the purchase price remains payable. The proposed tax rate is five per cent (5%) of the purchase price, excluding HST, aligning with many other municipalities across Ontario. The "continuous period" rule clarifies that switching rooms/beds within the same establishment does not reset the count.
- 2.3 To provide regional context, several lower-tier municipalities within Durham Region have established MAT rates in recent years. The City of Oshawa and the Town of Ajax each apply a 5% MAT, while the Town of Whitby and the City of Pickering currently apply a 4% MAT. Staff are aware of ongoing discussions in various Ontario municipalities regarding increasing MAT rates to align with the increasingly common 5% rate. Clarington's proposed 5% MAT rate is therefore consistent with the prevailing approach within Durham Region and aligns with the rate adopted by many municipalities elsewhere in Ontario.

Exemptions

- 2.4 Exemptions align with provincial practice and comparable municipal by-laws. The MAT does **not** apply to accommodations provided by:
- The Crown and Crown agencies;
 - School boards, universities, colleges and specified post-secondary institutions;
 - Public and private hospitals, long-term care homes, retirement homes, homes for special care, and hospices;
 - Treatment centres supported under the Ministry of Community and Social Services Act;
 - Houses of refuge or lodging for the reformation of offenders;

- Charitable or non-profit emergency shelters, and rooms used by the Municipality, the Regional Municipality of Durham, or their service providers for shelter purposes in hotels/motels.
- Hospitality rooms used for meetings, displays, or entertaining;
- Group bookings with contracts entered into prior to the effective date;
- Campgrounds, tourist camps, trailer parks, including Non-Serviced Roofed Accommodation within such facilities;
- Non-Serviced Roofed Accommodation in any location;
- Employers providing accommodation to their employees in premises operated by the employer; and
- Traditional Bed & Breakfast (B&B) establishments that meet the eligibility criteria in Section 3.2 of the draft by-law (see 2.4 below)

Traditional Bed and Breakfast (B&B) Exemption (Eligibility Based)

- 2.5 The draft by-law includes an eligibility-based exemption for Traditional Bed and Breakfast establishments. This exemption is included because Traditional B&Bs operate very differently from hotels, motels, and commercial short-term rentals such as Airbnb or Vrbo. Traditional B&Bs in Clarington are usually small, owner operated businesses located within a principal residence. Operators live on site during guest stays, offer a home-based hospitality experience, and typically operate with low occupancy levels and limited administrative resources.
- 2.6 Requiring these small operations to collect, track, and remit the Municipal Accommodation Tax would create an administrative workload that is disproportionate to their size and revenue. Hotels and motels already maintain the type of financial and occupancy records required for MAT compliance, and short-term rental platforms provide automated systems for collecting and separating tax amounts on behalf of hosts. Traditional B&Bs do not have these systems, and imposing the same administrative expectations on them would create an unnecessary burden and potentially discourage the continued operation of these small businesses. The exemption therefore supports these local operators and ensures the MAT program is implemented in a fair and proportional way.
- 2.7 To qualify for this exemption, a Traditional Bed and Breakfast establishment must:
- Meet the applicable zoning definition under By-law 84-63 or hold legal non-conforming status.
 - Operate within the operator's principal residence, with the operator or designated staff living on the property during all guest stays.
 - Provide breakfast as part of the accommodation, either as a hot meal prepared and served by the operator or as perishable ingredients supplied for guests to prepare a hot breakfast. Public health requirements apply where mandated.

- Offer a direct booking method, such as telephone, email, or an operator maintained website, in addition to any third-party platform listings.
 - Maintain private liability insurance for the accommodation operation, obtained directly by the operator, and provide proof to the Municipality upon request.
- 2.8 A list of pre- approved Traditional Bed and Breakfast establishments will be included within the final by-law. This list will be based on direct engagement with known B&B operators to confirm that they meet the eligibility criteria. All other operators may apply for the exemption by demonstrating compliance with the criteria. The list included at the time of enactment will reflect the operators that have been verified through this process, and it may expand over time as additional eligible establishments apply.

Collection and Remittance

- 2.9 Providers are required to collect the MAT at the time accommodation is purchased and show the MAT as a separate line item on invoices or receipts. Hotels, motels, and other traditional accommodation providers must remit collected MAT on a monthly basis by the fifteenth (15th) day of the following month. Short- term rental operators who use platforms such as Airbnb or Vrbo must remit on a quarterly basis, also by the fifteenth (15th) day following the end of each quarter. Providers must submit accompanying statements in a format determined by the Municipality or its collection agent, outlining booked nights, amounts charged, MAT collected, and any other required information. Accommodation providers will be provided training on how to collect and remit prior to MAT implementation.

Delegation of Authority

- 2.10 If Council approves the recommendations in this report, the Treasurer would be authorized to administer and enforce the by- law, including approvals, appeals, enforcement actions, and the issuance of interpretation guidelines.
- 2.11 Subject to Council's approval, the Director of Economic Development would be authorized to enter into agreements with an eligible tourism entity to ensure that MAT revenues are used for tourism- related purposes in accordance with provincial requirements. These delegations support efficient administration and timely implementation.

Interest, Fees, and Liens

- 2.12 The Treasurer may apply interest of 1.25 per cent per month on late or outstanding MAT amounts. Additional fees apply for dishonoured payments in accordance with the Municipality's User Fee By-law. Past- due MAT, including interest and penalties, may be added to the tax roll of any property owned by the provider and collected in the same manner as property taxes, though without priority lien status.

Audit, Inspection, and Record-Keeping Requirements

- 2.13 Providers must maintain books and accounts sufficient to verify MAT collection and remittance for a minimum of seven (7) years. Providers must permit audits and inspections by the Municipality and must answer questions, provide documents, and make records available upon request. Providers are prohibited from falsifying, altering, destroying, or concealing documents related to MAT reporting.

Assessment, Reassessment, and Refunds

- 2.14 The Treasurer may determine or reassess MAT amounts owing if a provider has not remitted as required. Assessments may be issued within three years of the date the MAT was due, with no time limit in cases involving misrepresentation or fraud. Refunds may be issued where MAT has been remitted in error, provided an application is submitted within twenty- four months.

Offences and Penalties

- 2.15 The by-law establishes offences for non-compliance, including failure to remit MAT, providing false information, obstructing audits, or attempting to evade the tax. Penalties include fines for first and subsequent offences, continuing offences, and multiple offences, consistent with ranges used by other Ontario municipalities.

Effective Date and Short Title

- 2.16 The by-law may be cited as the Municipal Accommodation Tax By-law and is proposed to take effect on July 1, 2026. The effective date is intended to provide sufficient time between Council endorsement and implementation to train accommodation providers on how to collect and remit the MAT, and to complete onboarding with the designated tax collection agent. The effective date may be adjusted by Council based on implementation requirements and coordination with the collection agent.

3. Stakeholder Engagement

- 3.1 To support the development of the draft Municipal Accommodation Tax By-law, staff carried out focused stakeholder engagement with accommodation providers and industry partners. Economic Development staff visited all of Clarington's hotels and motels on site to inform them of the proposed MAT, answer questions, and encourage participation in the online survey hosted through Clarington Connected.
- 3.2 Staff also worked with short-term rental platforms, including Airbnb and Vrbo, to ensure that hosts in Clarington received consistent information about the MAT and knew how to access engagement materials and provide feedback.

- 3.3 Traditional Bed and Breakfast operators were engaged directly to discuss their unique operating contexts and to review and comment on the draft exemption criteria. Their feedback helped refine the eligibility-based exemption included in the by-law.
- 3.4 In addition to direct outreach, staff reviewed feedback collected through the online survey. Input from survey respondents and accommodation operators helped shape the clarity, structure, and administrative requirements of the draft by-law.
- 3.5 To ensure alignment with best practices, staff also connected with several Ontario municipalities that have already implemented a Municipal Accommodation Tax. In addition, staff worked closely with the Ontario Restaurant, Hotel and Motel Association, which serves as the MAT collection agent for many municipalities and provided valuable insight into program administration and implementation considerations.

4. Overview of Tourism Municipal Services Corporation (MSC) Business Case Study

Purpose and Regulatory Context

- 4.1 The Business Case Study has been prepared in accordance with [Section 6 of Ontario Regulation 599/06](#) under [Section 203\(4\) of the Municipal Act, 2001](#). It evaluates the establishment of a not-for-profit Municipal Services Corporation to act as Clarington's Eligible Tourism Entity for the purposes of receiving and investing MAT revenues, as required by Ontario Regulation 435/17.

Mandate and Role

- 4.2 The proposed Corporation will promote tourism and lead tourism product development initiatives in Clarington. It will use MAT revenues to deliver destination marketing, product development, and visitor experience initiatives, including placemaking enhancements that directly support the visitor experience, coordinated with municipal economic development priorities. A proposed Tourism Development Officer funded by the municipal portion of MAT revenue would support implementation and coordination with the Corporation's board.

Governance Approach

- 4.3 The Corporation would be incorporated under the Not-for-Profit Corporations Act, 2010. An interim set of incorporators would guide incorporation and foundational documents, followed by the appointment of a term-based Board of Directors. Council, as the sole voting member, would select and elect the Board and receive regular reporting. Detailed recommendations on composition, by-laws, accountability agreement, and related policies will return to Council.

Funding and Use of MAT Revenues

- 4.4 Under Ontario Regulation 435/17, the Municipality is required to provide 50 per cent of Municipal Accommodation Tax revenues, less the Municipality's reasonable costs of collecting and administering the tax, to an Eligible Tourism Entity. The proposed Municipal Services Corporation would therefore receive this portion of MAT revenues to support its tourism promotion mandate. The Municipality intends to establish a dedicated MAT Reserve to receive its share of revenues.
- 4.5 One potential use of the municipal portion that staff may explore in future is the establishment of a Tourism Development Officer position to support the work of the Corporation and advance Clarington's tourism objectives. Should Council wish to consider this option, staff would bring forward a formal proposal as part of the 2027 budget process, with funding to be drawn from the municipal share of MAT revenues.
- 4.6 The Corporation's share of MAT revenues will be directed toward implementing tourism initiatives, including marketing, partnerships, and product development. The Ontario Restaurant, Hotel & Motel Association (ORHMA) is contemplated as the collection agent that would remit MAT revenues to the Municipality, after which the required allocation would be transferred to the Corporation.
- 4.7 In the initial implementation period, the Municipality will collect MAT and allow the MAT Reserve to build while the Corporation is being established, with 50 per cent of net MAT revenues transferred to the eligible tourism entity no later than 60 days after the end of the fiscal year, in accordance with Ontario Regulation 435/17.

Financial Estimates and Tools

- 4.8 The Business Case Study outlines preliminary revenue estimates for the Municipal Accommodation Tax (MAT) based on projected occupancy levels and MAT rate assumptions. These estimates demonstrate that MAT revenues will provide a sustainable source of funding to support both municipal and tourism - focused initiatives once the program is operational.
- 4.9 To support the legal incorporation and initial setup of the tourism - focused Municipal Services Corporation (MSC), staff are recommending that Council approve a one - time start - up loan of \$15,000, as reflected in the recommendation section of this report. This loan will fund necessary expenses such as legal incorporation fees, corporate by - law development, policy and governance documents, and initial administrative tools required for the Corporation to become operational. The loan will be repaid through the MSC's future share of MAT revenues, consistent with the requirements of Ontario Regulation 435/17.

- 4.10 The Corporation will maintain an operating budget and a discretionary reserve and will present audited financial statements at its Annual General Meeting to ensure transparency, accountability, and appropriate oversight of MAT revenues.

Accountability and Reporting

- 4.11 The Corporation will operate transparently and report to Council at least annually, outlining activities undertaken and the use of MAT revenues. A financial accountability agreement with the Municipality will ensure compliance with provincial requirements and alignment with municipal priorities.

Rationale in Brief

- 4.12 Creating a tourism- focused MSC satisfies the provincial requirement for an Eligible Tourism Entity, provides a clear and accountable structure for MAT investment, and enables timely, locally responsive tourism initiatives that support economic development in Clarington.

5. Implementation Plan & Next Steps

- 5.1 Subject to Council approval of this report's recommendations, staff will undertake the following steps to implement the Municipal Accommodation Tax (MAT) and establish the tourism- focused Municipal Services Corporation (MSC):
- Execute the MAT collection agreement with ORHMA.
 - Implement the MAT By- law upon adoption and coordinate the onboarding and training of accommodation providers (including STR providers) in advance of the effective date, including training delivered through ORHMA.
 - Publish a MAT webpage with FAQs and operator guidance in advance of the effective date.
 - Operationalize the Traditional B&B exemption by vetting and publishing the initial pre- approved list and providing a simple application path for other eligible establishments.
 - Obtain the required consent of the Regional Municipality of Durham to incorporate the MSC, pursuant to Section 11(4) of the Municipal Act, 2001.
 - Complete incorporation activities for the MSC: conduct the corporate name search, file articles of incorporation, and prepare initial corporate by- laws and foundational governance documents. Some documents may be prepared by external legal counsel, funded through the approved \$15,000 start- up loan.
 - Open a dedicated MSC bank account through the Finance Department to support initial operations and financial controls.

- Establish the MAT Reserve Fund and bring forward a MAT Reserve Fund Policy for Council consideration, consistent with the revenue allocation framework under O. Reg. 435/17.
- Prepare the required agreements between the Municipality and the MSC (e.g., financial accountability agreement under O. Reg. 435/17), engaging external legal support where appropriate.
- Recruit and bring forward a term-based Board of Directors and remaining governance particulars (e.g., corporate by-laws, accountability agreement, asset transfer policy) for Council approval.
- Bring forward, as part of a future budget process, any recommended municipal staffing required to support the Corporation and the administration of the MAT.
- Report back to Council in Q4 2026 on program implementation, initial MAT collections, and the status of MSC setup.

6. Financial Considerations

MAT Revenue Estimates and Required Allocation

- 6.1 Based on projected hotel and motel occupancy rates of 50 to 75 per cent, the Municipal Accommodation Tax (MAT), applied at a rate of five per cent, is estimated to generate between \$428,364 and \$642,546 in total annual gross revenue for the program. Under Ontario Regulation 435/17, at least 50 per cent of net MAT revenues (after reasonable administration and collection costs) must be transferred to the Eligible Tourism Entity, meaning the Municipality will retain approximately half of the total revenue. These estimates are based on the Business Case Study for the Tourism Municipal Services Corporation (Attachment 2) and do not yet include additional MAT revenues anticipated from short-term rental accommodations (e.g., Airbnb, Vrbo) or any potential additions to Clarington's hotel/motel inventory.
- 6.2 To support implementation and provide a transparent mechanism for revenue management, staff propose to establish a dedicated Municipal Accommodation Tax (MAT) Reserve Fund, housed within the Economic Development budget. The Reserve will receive the Municipality's share of MAT revenues and may be used to support tourism-related initiatives, including the potential funding of a full-time Tourism Development Officer whose role would support the workplan of the proposed tourism-focused Municipal Services Corporation (MSC). During the MSC incorporation period, all MAT revenues will be held in the Reserve. Transfers to the MSC will occur no later than 60 days after the end of the fiscal year, as required by Ontario Regulation 435/17.

ORHMA Collection Costs

- 6.3 As identified in Report CAO- 016- 25, staff recommend engaging the Ontario Restaurant, Hotel & Motel Association (ORHMA) as the Municipality's MAT collection partner. ORHMA provides centralized remittance services to over 30 municipalities and supports implementation through municipal staff training, provider onboarding, by-law review, and data reporting.
- 6.4 Associated costs include:
- A one-time setup fee of \$3,000 to onboard the Municipality; and
 - Ongoing collection fees of 1.8% of MAT collected from hotels and motels; and
 - Ongoing collection fees of 5% of MAT collected from short-term rentals.
- 6.5 These percentage-based fees are deducted from gross MAT collections before the net amount is remitted to the Municipality. For example, \$400,000 in hotel/motel MAT revenue would generate approximately \$7,200 in ORHMA fees. Given the cost-effective nature of this model and the lack of internal capacity to deliver these services more efficiently, staff recommend partnering with ORHMA for MAT collection.

Tourism Municipal Services Corporation (MSC) Start-Up Costs

- 6.6 To support the legal incorporation and initial setup of the tourism-focused Municipal Services Corporation, staff are requesting Council approval for a one-time start-up loan of \$15,000, as outlined in the Business Case Study. This loan is proposed to be funded from the Economic Development Reserve Fund, and will provide resources for incorporation fees, external legal review, the drafting of foundational governance documents, and initial administrative tools or systems not otherwise available through the Municipality.
- 6.7 This amount is consistent with costs incurred by comparator municipalities, including the Town of Whitby, which reported similar legal and start-up expenses during its establishment of the Whitby Tourism Development Corporation. The loan will be repaid through the Corporation's future share of MAT revenues, ensuring no impact to the municipal tax levy and aligning with the revenue allocation framework required under Ontario Regulation 435/17.

Overall Financial Impacts

- 6.8 There are no direct impacts on the municipal tax levy resulting from the approval of this report. The \$3,000 one-time ORHMA setup fee required to onboard the Municipality will be funded through the Economic Development Reserve Fund, as outlined in Report CAO- 016- 25. Ongoing ORHMA collection fees, along with other MAT administration costs, will be funded directly through MAT revenues. If Council approves the

recommended \$15,000 start- up loan to support incorporation of the tourism- focused Municipal Services Corporation, that loan would be repaid through the Corporation's future share of MAT revenues, consistent with the revenue allocation requirements set out in Ontario Regulation 435/17.

7. Strategic Plan

- 7.1 This report supports Priority G.1.2: Continue to support business and industry to thrive by providing a direct funding source to support Clarington's tourism industry and tourism businesses.

8. Climate Change

Not Applicable.

9. Concurrence

This report has been reviewed by the Deputy CAOs for both the Finance and Technology Department and the Legislative Services who concur with the recommendations.

10. Conclusion

- 10.1 The draft Municipal Accommodation Tax By- law and the Tourism Municipal Services Corporation Business Case Study presented through this report complete the work directed by Council in October 2025 to advance a local Municipal Accommodation Tax program. Together, these documents establish the administrative, financial, and governance framework required for implementation, ensuring the MAT program is compliant with provincial legislation and aligned with Clarington's economic development objectives.
- 10.2 The proposed approach provides a clear structure for MAT collection, remittance, and oversight; introduces an exemption for Traditional Bed and Breakfast establishments that reflects local operating contexts; and outlines the mechanism through which MAT revenues will support tourism promotion through a dedicated Municipal Services Corporation. Subject to Council's endorsement of the recommendations contained in this report, staff will proceed with the next steps required to prepare for program launch and support the orderly implementation of the Municipal Accommodation Tax in Clarington.

It is respectfully recommended that the report be received and it's recommendations be approved.

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Attachments:

Attachment 1 – Draft Municipal Accommodation Tax (MAT) By-law

Attachment 2 – Tourism Municipal Services Corporation (MSC) Business Case Study

Interested Parties:

The following interested parties will be notified of Council's decision:

- Ontario Restaurant, Hotel & Motel Association (ORHMA)
- Regional Municipality of Durham
- Clarington hotels and motels
- Known traditional Bed & Breakfast establishments
- Short-term rental platforms including Airbnb, Vrbo, and Booking.com