



Accommodation Taxes

Benefits and Challenges in Rural and Remote Communities

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WHAT ARE MUNICIPAL ACCOMMODATION TAXES?

Municipal Accommodation Taxes (MATs) – also described as Municipal and Regional District Taxes (MRDTs) (Canada Revenue Agency, 2024; Miller, Sanger, & Feist, 2014) – are tourism taxation policy tools. In Canada, accommodations are recognized as a luxury item, and therefore qualify for selective taxes as a specific good, like that of the regulated Goods and Services Taxes (GST/ HST) (Excise Tax Act, 1985; Thompson et al., 2014). These taxes are levied funds that can be applied to any short-term rental as either a flat rate or a percentage, based on either each overnight cost or the total cost of the stay within an accommodation establishment (Excise Tax Act, 1985; Municipal Taxation and Funding Act, 2017 – C. C. S. M. c. M265; Elfano et al., 2022). Fundamentally, MATs were designed to allow municipalities to generate revenue within community to enhance the local tourism sector (Lee, 2014; Elfano et al., 2022).



HOW MUNICIPALITIES CAN IMPLIMENT MATs?

Tourism offers an opportunity for communities to diversify their economies (Ramsey and Malcolm, 2018). For Canadian municipalities interested in building on local tourism, the implementation of MATs may offer an opportunity to support the marketing and maintenance of attractions/ community assets, as well as support community development (Elfano et al., 2022; Canada Revenue Agency, 2024).

While the provincial and/ or territorial governments are responsible for setting an appropriate cost range for MATs (Prinsen, 2024), the onus in implementing these taxes at the local level is on municipal governments. This means that municipalities have to pass the affiliated by-law to begin charging and collecting MATs (Excise Tax Act, 1985; Municipal Taxation and Funding Act, 2017 – C. C. S. M. c. M265).

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There are many governing bodies that provide support for communities seeking to implement this by-law. This includes providing webinars, podcasts and other resources that outline how municipalities can move forward with this legislation. Not only do these resources outline how MATs can be implemented, they provide information on how those working within the accommodation sector can work to build on local tourism. These governing bodies include, but are not limited to:

- The Canadian Association of Public and Private Regulatory Agencies
- Regulatory Bodies Network
- The Canadian Centre for Governance
- The Canadian Association of Regulatory Agencies
- The Canadian Institute for Regulatory Compliance
- The Institute of Governance and Public Administration
- The Canadian Institute of Management
- What is the Purpose of the Tax Dollars



HOW CAN MATs BE USED TO SUPPORT COMMUNITY?

Alongside determining whether these taxes should be collected at the local level, municipalities also decide how the funds are to be distributed within their municipalities to fit their specific needs and goals. As rural and remote communities typically face unique challenges and barriers, it is incredibly important to ensure funds are allocated strategically. Typically, MAT dollars are distributed between organizations that would work to support the development in local tourism through (1) tourism marketing, (2) fostering events-based tourism, and (3) working to maintain municipal infrastructure (Johal et al., 2019).

1 Tourism Marketing

Financial support for tourism agencies to provide services in tourism marketing and event planning (e.g., Convention and Visitor Bureaus (CVB) and/ or local tourism agencies) can be instrumental in ensuring the awareness of local events and regional assets - fostering the increase in local visitation.

2 Fostering Events-Based Tourism

Accommodation Tax Grants (ATGs) are funds that individuals and organizations can apply for to support the organization and facilitation of events held within the community. The intention for ATGs is that community events will drive over-night visitation within the community - therefore contributing to the local economy.

3 Maintaining Infrastructure

Designating MAT funds for community maintenance (e.g., maintenance of roads, bridges, beaches, and other community assets) works to ensure sustainable development should there be an increase in local visitation through tourism.

While there are resources to support communities in the process of deciding whether or not to implement MATs as a municipal by-law, there are limited resources outlining the potential impacts and outcomes resulting from varying distribution of funds in different communities - this applies within the context of economics and social well-being. The impacts of tourism are place-specific, meaning that the impacts are completely dependent on the location and community (Majdak et al., 2022). Without guidance in strategic distribution of funds, communities may face challenges in sustaining development within the tourism sector.

HOW DID WE EXPLORE APPLICATIONS OF MATs IN RURAL MANITOBA?

Throughout 2024, the Rural Development Institute collaborated with the Tourism Research Centre (Brandon University) and the Manitoba Hotel Association to engage 6 communities across southern Manitoba to assess the realities of rural tourism. These communities included Brandon, Dauphin, Falcon Lake/ the Whiteshell, Russell, Onanole, and Winkler. 13 interviews were conducted with community stakeholders for this project - 7 interviews took place with General Managers of hotel and motel accommodation establishments, and 6 interviews took place with community stakeholders in the local tourism sector (i.e., members from the Chamber of Commerce, Tourism Agencies, etc.). Only 2 of the 6 participating communities implemented MATs within their affiliated municipalities. Through these interviews, it became clear that while there are many potential benefits in implementing MATs, there are specific considerations rural and remote communities must make before passing this by-law.

WHAT ARE THE CHALLENGES IN IMPLIMENTING MATs?

First and foremost, it has been expressed that there are limited publications and resources that provide insights into place-specific tourism studies (see Heffer-Flaata et al., 2021; Matteo, 2021), or outline how tourism taxation (i.e., MATs) impacts the flow of visitors to different regions (see Alfano et al., 2022; Heffer-Flaata et al., 2021). In addition to the fact that place-based studies require extensive resources, and the time of experts in the field (Matteo, 2021), this lack of resources may also be because there are a variety of ways in which the taxes can be implemented and distributed within different municipalities (Alfano et al., 2022; Heffer-Flaata et al., 2021). This variability can make it difficult to provide evidence-based findings regarding the positive impacts of 'bed taxes.' This lack of resources may be contributing to municipal hesitancy when contemplating the implementation of MATs.

As for the municipalities that do implement MATs (Brandon and Dauphin), 2 of the 7 accommodation GMs expressed that there is a (partial or complete) lack of transparency in how these funds are allocated within community, and what projects the funds have been used to support. Adjacently, it was expressed by 1 accommodation GM located within Onanole that MAT dollars are collected through the accommodation platform "Air BnB," but there was no knowledge as to how these tax dollars are re-distributed with the community.

2 of the 7 accommodation GMs indicated that implementing additional taxes in rural and remote communities may actually deter overnight guests due to intermarket competition (see Alfano et al., 2022

and Lee, 2014). They expressed that overnight guests staying within their communities are typically on route to a different destination. Therefore, their overnight stay in rural and remote communities is a single pit stop to a further destination. They also expressed that this intermarket competition would likely result in travelers going to different rural and remote communities that have lower accommodation costs when engaging in these multi-day travels.

Adjacently, 1 participant indicated potential deterrence of over-night guests due to inability or frustrations in paying higher accommodation rates. With the current state of inflation, and the cost of living on the continuous rise, it was expressed that additional accommodation costs have the potential to reduce both non-community residents and community residents (i.e., those who are interested in provincial “staycations”) to stay within local accommodations (Elfano et al., 2022).

Interestingly, 2 of 3 participating GMs who reside within (or near) the provincial and national parks in Manitoba noted that they did not believe their occupancy would be affected by MATs. First, the two participants managing accommodations located within provincial/ national parks noted that due to their location, they are not recognized as affiliated members of any ‘municipality’ within the province. Therefore, they are not able to implement MATs within their affiliated regions, and do not have the same opportunities to access provincial or federal funding in comparison to those who do maintain ‘municipal affiliations.’ Second, due to the unique natural assets, 2 of these 3 participants indicated that they believed guests would pay requested accommodation costs regardless of any additional fees requested.

WHAT ARE SOME PRIORITIES FOR FUTURE RESEARCH?

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1 Place-Specific Research >>>

In order to support communities seeking to enhance local tourism, we must prioritize understanding place-specific desires, needs, strengths, and challenges to tailor solutions.
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2 Transparency in MAT distribution >>>

It is important to understand the barriers in community communication to ensure the distribution of MATs is understood by, and beneficial to, all relevant stakeholders.
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3 Avenues for Alternative Financial Support >>>

It is vital we explore the challenges rural and remote communities face when implementing MATs. If ‘bed taxes’ are not viable in securing funds, how we can support communities?
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4 New Strategies for Providers in the Parks >>>

It is vital that we explore how to better serve and support accommodation providers located in/ near the provincial and national parks, as these locations are pillars in attracting provincial, national and international guests to Manitoba.

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Rural Development Institute

Brandon University established the Rural Development Institute in 1989 as an academic research centre and a leading source of information on issues affecting rural communities in Western Canada and elsewhere.

RDI functions as a not-for-profit research and development organization designed to promote, facilitate, coordinate, initiate and conduct multi-disciplinary academic and applied research on rural issues. The Institute provides an interface between academic research efforts and the community by acting as a conduit of rural research information and by facilitating community involvement in rural development. RDI projects are characterized by cooperative and collaborative efforts of multi-stakeholders.

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