TRANSIENT ACCOMMODATIONS TAX

Issue

Many areas known for its popularity in tourism will incur taxes on visitors to offset the impact they have on the local public services and infrastructure, as well as to fund local services and facilities. Most popular tourist areas assess taxes on visitors in order to pay for the impact of these non-residents on public services and infrastructure, and to provide residents with services and facilities that would be difficult to fund through the permanent tax-base alone. Not surprisingly, these taxes often receive broad public and political support among residents. The most common tax is imposed on guests in hotels and other transient accommodations. This is generally referred to as a "transient accommodations tax", but may also be mentioned as occupancy tax, sales tax, rooms and meals tax, or tourism tax.

As timeshare ownership and vacations have become increasingly popular over the last two decades, many jurisdictions have explored ways to generate revenue from timeshare owners and those who use timeshare exchange programs. In some areas, hotel operators who view timeshare resorts as competitors have the perception that timeshare owners don't pay their "fair share" of taxes. In some cases, these hoteliers have joined forces with local government officials to push various forms of taxes and fees on timeshare owners and exchange organizations. Despite these efforts, Hawaii is currently the only state to tax timeshare owners that occupy their own unit, or exchange guests that occupy a unit swapped with another owner.

Impact

The owner of a deeded interest in a timeshare resort pays a number of taxes and fees related to their purchase and ownership obligations. Similar to a vacation home owner, a timeshare owner pays, at a minimum, the following taxes and fees: transfer taxes, recording fees, financing charges, maintenance fees, and real property taxes. Additionally, if the timeshare owner (including the timeshare developer) decides to rent a timeshare unit, the rental is also subject to the same taxes as any other paid rental.

Since its origin in the 1970s, timeshare exchange has been one of the key factors in the growth of the timeshare industry. Exchange allows owners to extend the vacation experience beyond their home resort to locations around the world through networks of resorts affiliated with an exchange company. While owners may pay a service fee to facilitate an exchange, no payment is required to occupy the accommodations.

The ability to secure an exchange for a desired time and location is significantly affected by the desirability of the owner's interval. New taxes on exchanges or occupancy would reduce the attractiveness of those resorts for exchangers. Being subject to such taxes would make it more difficult for an owner to secure the exchange of their choice.

Position

ARDA-ROC firmly believes that the use of a timeshare unit by an owner or exchange guest should not be taxed like a rental, and opposes all efforts to impose such taxes on an occupancy that generates no revenues. Timeshare owners are comparable to the owners of second homes and should be taxed the same way. At the same time, ARDA-ROC accepts that a timeshare unit rented on a nightly basis, like a hotel room, may be taxed on the same basis as currently exists in most jurisdictions.