



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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Executive Secretary

March 16, 1984

TO COUNTY ASSESSORS, COUNTY COUNSELS,  
AND OTHER INTERESTED PARTIES:

No. 84/31

RULE 472

VALUATION OF REAL PROPERTY INTERESTS  
IN TIMESHARE ESTATES AND TIMESHARE USES  
PUBLIC HEARING: TUESDAY, MAY 8, 1984

The State Board of Equalization will hold a public hearing on proposed amendments to Property Tax Rule 472, Valuation of Real Property Interests in Timeshare Estates and Timeshare Uses, on Tuesday, May 8, 1984, at 2:00 p.m., in room 102, 1020 N Street, Sacramento, California.

Senate Bill 217 (Chapter 1110, Statutes of 1983) added Section 998 to the Revenue and Taxation Code. Subdivision (a) of Section 998 provides that the full value of a timeshare estate of timeshare use subject to property tax shall be determined by finding the real property value of the interest involved, which does not include any nonreal property items, such as, vacation exchange rights, vacation conveniences and services, and club memberships. The same subdivision further provides that the full value of a timeshare estate or use may be determined by reference to resort properties, condominiums, cooperatives, or other properties which are similar in size, type, and location to the property subject to timeshare ownership and are not owned on a timeshare basis. Additionally, subdivision (a) provides that the aggregate assessed value of all timeshare estates and uses relating to a single lot, parcel, unit or other segment of real property shall be determined by adding (1) the fair market value of the similar lot, parcel, unit or other segment not owned on a timeshare basis, and (2) an amount necessary to reflect any increase or decrease to the market value attributable to the fact that the property is marketed in increments of time or by any alternate method which will determine the real property value without regard to any nonreal property items.

Subdivision (d) of Section 998 provides that nothing in the section shall be construed as requiring the assessment of any property at less than fair market value as required by Section 401 of the Revenue and Taxation Code. Further, Sections 3 and 4 of Chapter 1110 provides that Section 998 is declaratory of, and not a change in, existing law.

Subdivision (e) of Section 998 directs the Board of Equalization to adopt regulations by June 30, 1984, to carry out the provisions of the section.

Written comments for the Board's consideration or requests to present testimony at the public hearing should be directed to me at the above address. Questions regarding the rule should be directed to Margaret Shedd, Staff Counsel, (916) 323-7712.

Sincerely,

Janice Masterton

Assistant to Executive Secretary

JM:ms

Enclosure

NOTICE OF PROPOSED REGULATORY ACTION

BY THE

STATE BOARD OF EQUALIZATION

RULE 472, Valuation of Real Property Interests

In Timeshare Estates and Timeshare Uses

PUBLIC HEARING: May 8, 1984

NOTICE IS HEREBY GIVEN that the State Board of Equalization proposes to adopt Rule 472, Valuation of Real Property Interests in Timeshare Estates and Timeshare Uses in Title 18 of the California Administrative Code, relating to property. This adoption is proposed pursuant to the authority vested by Section 15606 of the Government Code, and to implement, interpret, or make specific Section 998 of the Revenue and Taxation Code.

PUBLIC NOTICE: Notice is further given that a public hearing relevant to this action will be held in Room 102, Consumer Affairs Building, 1020 N Street, Sacramento, California, at 2:00 p.m. on May 8, 1984. Any person interested may present statements or arguments orally at that time and place.

INFORMATIVE DIGEST: Senate Bill 217 (Chapter 1110, Statutes of 1983) added Section 998 to the Revenue and Taxation Code. Subdivision (a) of Section 998 provides that the full value of a timeshare estate or timeshare use subject to property tax shall be determined by finding the real property value of the interest involved, which does not include any nonreal property items, such as, vacation exchange rights, vacation conveniences and services, and club memberships. The same subdivision further provides that the full value of a timeshare estate or use may be determined by reference to resort properties, condominiums, cooperatives, or other properties which are similar in size, type, and location to the property subject to timeshare ownership and are not owned on a timeshare basis. Additionally, subdivision (a) provides that the aggregate assessed value of all timeshare estates and uses relating to a single lot, parcel, unit or other segment of real property shall be determined by adding (1) the fair market value of the similar lot, parcel, unit or other segment not owned on a timeshare basis, and (2) an amount necessary to reflect any increase or decrease to the market value attributable to the fact that the property is marketed in increments of time or by any alternate method which will determine the real property value without regard to any nonreal property items.

Subdivision (d) of Section 998 provides that nothing in the section shall be construed as requiring the assessment of any property at less than fair market value as required by Section 401 of the Revenue and Taxation Code. Further, Sections 3 and 4 of Chapter 1110 provides that Section 998 is declaratory of, and not a change in, existing law.

Subdivision (e) of Section 998 directs the Board of Equalization to adopt regulations by June 30, 1984, to carry out the provisions of the section.

ESTIMATE OF COST OR SAVINGS: The State Board of Equalization has determined that the proposed change does not impose a mandate on local agencies or school districts. Further, the Board has determined that the change will result in no direct or indirect cost or savings to any State agency, any local agency or school district that is required to be reimbursed under Section 2231 of the Revenue and Taxation Code, or other nondiscretionary cost or savings imposed on local agencies, or cost or savings in Federal funding to the State of California.

The cost impact on private persons or businesses will be insignificant. This proposal will not have a significant adverse economic impact on small businesses.

INQUIRIES: Inquiries concerning this matter may be directed to Janice Masterton at (916) 445-6479, 1020 N Street, Sacramento, California 95814.

WRITTEN COMMENTS: Written statements or arguments will be considered by the Board if received by May 8, 1984, but are requested by April 27, 1984.

STATEMENT OF REASONS; EXPRESS TERMS; RULEMAKING FILE: The Board has prepared a statement of reasons and a strike-out and underscore version (express terms) of the proposed changes. Both of these documents are available to the public upon request. The rulemaking file is available for public inspection at Room 123, 1020 N Street, Sacramento, California.

STAFF MEMORANDA AFTER PUBLIC HEARING OR REVISIONS TO PUBLISHED VERSION OF THE REGULATION: In the event there are any staff memoranda included in the rulemaking file after the close of the public hearing, these memoranda will be available to the public upon request from Mrs. Masterton for a period of 15 days after the public hearing.

In the event there are any revisions sufficiently related to the published version of the regulation, these revisions will be available to the public from Mrs. Masterton for a period of 15 days before adoption.

Following the hearing, the State Board of Equalization, upon its own motion, or at the instance of any interested person, may in accordance with law adopt the changes proposed without further notice.

Dated: March 13, 1984

STATE BOARD OF EQUALIZATION



Douglas D. Bell  
Executive Secretary

INFORMATIVE DIGEST - SUPPLEMENT

Under existing law, the California Constitution requires that all taxable property must be assessed at the same percentage of full value. Furthermore, the Revenue and Taxation Code and Title 18 of the California Administrative Code generally define full value. Specifically, Section 998 of the Revenue and Taxation Code addresses the issue of defining full value with respect to the real property interest of timeshare estates or timeshare uses and suggests different methods of valuations of such interests which are consistent with the general provisions of existing law.

Proposed Rule 472 would implement the provisions of Section 998 of the Revenue and Taxation Code, as directed by the Legislature. Generally, the proposed rule would establish a comprehensive scheme to be utilized by assessors in valuing the real property interest of a timeshare estate or a timeshare use. This scheme is consistent with existing, but more general, constitutional and statutory provisions relative to valuation. The proposed rule also makes clear that such general valuation principles are applicable to the valuation of timeshare estates and uses.

Specifically proposed Rule 472 would do the following:

Subdivision (a) - Requires that the full value of the real property interest in a timeshare project shall be determined in accordance with the provisions of the proposed rule.

Subdivision (b) - Defines the timeshare interest appraisal unit and specifies certain factors, which are unique to timeshares, that shall be considered in ascertaining the real property value of such interests. These unique factors are (1) the fact that a timeshare is marketed in increments of time and (2) the fact that a timeshare is generally marketed for a particular season of the year.

Subdivision (c) - Provides that the full value of the real property interest in a timeshare project shall not include the value of any personal property or other nonreal property items, such as, vacation exchange rights, vacation conveniences and services, and club memberships.

Subdivision (d) - Defines the term "nonreal property vacation exchange rights" to mean and include, but not be limited to, internal and external exchanges. Further defines an internal exchange to mean an exchange arranged by the timeshare project developer or operator for a timeshare interest owner between two or more resorts owned by the same developer or operator. An external exchange is defined as an exchange arranged by an independent exchange network, which has a contractual relationship with either the timeshare project development or the individual timeshare owner.

Subdivision (e) - Defines the term "nonreal property vacation conveniences and services" to mean and include, but not be limited to:

- (1) The owner's right to participate in an exchange network.

(2) Maintenance and repair of buildings (interior and exterior) grounds.

(3) Maid, meal, linen, and security guard services.

(4) Transportation, scheduling, reservation services.

(5) Management services necessary for the administration of the basic operation of the timeshare project.

(6) The services of personnel charged with providing social or recreational instruction and planned activities.

Subdivision (f) - Defines the term "nonreal property club memberships" to mean and include, but not be limited to, membership in recreational enterprises, which are offered as an optional amenity to timeshare interest purchasers and also offered to non-timeshare interest owners.

Subdivision (g) - Provides that the assessor shall consider the value concepts and approaches set forth in Sections 2, 3, 4, 6, and 8 of the Title 18 of the California Administrative Code.

Subdivision (h) - Specifies one method the assessor may utilize in valuing the real property interest of a timeshare. The subdivision provides that the assessor may determine the value of the timeshare appraisal unit by the following method:

(1) Determine the full value of resort properties, condominiums, cooperatives, or other properties not marketed

in increments of time but which are comparable to the subject timeshare appraisal unit in terms of size, type, and location. Divide such full value by a unit of time equal to the timeshare interest being valued.

(2) Add to the non-timeshare value quotient determined in (1), an amount necessary to reflect any increase or decrease in such value attributable to the fact that the subject timeshare appraisal unit is marketed in increments of time and, if applicable, for a particular season.

Subdivision (i) - Provides that in addition to the specific method of valuation provided for in subdivision (h) of the proposed Rule, the assessor may utilize any other method in ascertaining the full value of the real property interest of a timeshare appraisal unit.

Subdivision (j) and (k) - Provide that the provisions of the proposed Rule are declaratory of existing law and that nothing in the proposed Rule shall be construed as requiring the assessment of a timeshare appraisal unit at less than full value.

RULE 472. Valuation of Real Property Interests in Timeshare  
Estates and Timeshare Uses.

(a) The full value of a real property interest in a time-  
share project shall be determined in accordance with the  
provisions of this section.

(b) The unit to be appraised for purposes of this section  
is the real property interest in a timeshare project which  
persons in the market place commonly buy and sell as a unit.  
This appraisal unit shall be either a timeshare estate or  
a timeshare use, as defined in Section 11003.5 of the  
Business and Professions Code. In determining the real  
property value of the unit of appraisal, consideration  
shall be given to the following factors which are unique to  
timeshare interests:

(1) The fact that the unit is marketed in increments  
of time.

(2) The season of the year during which the owner  
is entitled to the right to use or possession of the unit.

(c) The full value of the real property interest in a timeshare project shall not include the value of any personal property or other nonreal property items. Such items include, but are not limited to, vacation exchange rights, vacation conveniences and services, and club memberships, as defined in subdivisions (d), (e), and (f).

To the extent that the value of any nonreal property items are included in the purchase price of a timeshare interest, appropriate adjustments shall be made to the price so as not to include such value or values in the full value of the real property interest. The value of any nonreal property items which are provided to the timeshare interest owner in exchange for a periodic fee or charge which is separate from the purchase price of the timeshare interest shall not be considered in the determination of the full value of the real property interest in the timeshare project.

(d) "Nonreal property vacation exchange rights" shall include, but not be limited to, internal and external exchanges. An internal exchange means an exchange arranged by the timeshare project developer or operator for a timeshare interest owner between two or more resorts owned by the same developer or operator. An external exchange means an exchange arranged by an independent exchange network, which has a contractual relationship with either

the timeshare project development or the individual timeshare owner.

(e) "Nonreal property vacation conveniences and services" shall include, but not be limited to:

(1) The owner's right to participate in an exchange network.

(2) Maintenance and repair of buildings (interior and exterior) and grounds.

(3) Maid, meal, linen, and security guard services.

(4) Transportation, scheduling, reservation services.

(5) Management services necessary for the administration of the basic operation of the timeshare project.

(6) The services of personnel charged with providing social or recreational instruction and planned activities.

(f) "Nonreal property club memberships" shall mean and include, but not be limited to, membership in recreational enterprises, which are offered as an optional amenity to timeshare interest purchasers and also offered to non-timeshare interest owners.

(g) In determining the full value of real property interest in a timeshare estate or timeshare use, the assessor shall consider the value concepts and approaches set forth in Sections 2, 3, 4, 6, and 8 of this Code.

(h) The assessor may determine the value of the timeshare appraisal unit by the following method:

(1) Determine the full value of resort properties, condominiums, cooperatives, or other properties not marketed in increments of time but which are comparable to the subject timeshare appraisal unit in terms of size, type, and location. Divide such full value by a unit of time equal to the timeshare interest being valued.

(2) Add to the non-timeshare value quotient determined in (1), an amount necessary to reflect any increase or decrease in such value attributable to the fact that the subject timeshare appraisal unit is marketed in increments of time and, if applicable, for a particular season.

(i) In addition to the method set forth in subdivision (h), the assessor may utilize any alternative method of valuation to determine the full value of the real property interest of a timeshare appraisal unit.

(j) Nothing in this section shall be construed as requiring the assessment of a timeshare appraisal unit at less than full value as required by Section 401 of the Revenue and Taxation Code and as defined in Section 2 of this Code.

(k) The provisions of this section are declaratory of, and not a change in existing law.

Reference: Section 998 of the Revenue and Taxation Code

Authority: Section 15606 of the Government Code