



October 1, 2010

South Carolina Taxation Realignment Commission
Local Accommodations and Hospitality Tax Subcommittee
1230 Main Street, Suite 700
Columbia, SC 29201

Commission Members:

This correspondence is to state our opposition to the recently issued proposal by the TRAC Local Accommodations and Hospitality Tax Subcommittee recommendations as changes proposed by the "tourism industry" and submitted to that subcommittee on or about August 27, 2010, specifically with respect to the proposed addition of the Accommodations tax on Timeshare maintenance fees.

Defender Resorts has been in the business of timeshare property management since 1979. We presently manage some 400 timeshare units in Horry County of South Carolina. These 400 units are owned by approximately 20,000 owners, of which, I estimate 5000 are South Carolina owners. While many of the timeshare Associations and the units thereto that we presently manage were built and or developed by then sister companies to Defender Resorts, we have not been in the development business in South Carolina for many years and all of the Associations of which we manage, i.e. the 20,000 or so owners, are all timeshare owner based Associations controlled by their respective Boards of Directors.

I do believe that the imposition of an accommodations tax on timeshare maintenance fees would have an incredibly detrimental effect on the timeshare properties which we manage and the communities in which they reside.

Let me first address the issue as to Timeshare Associations, i.e., the not for profit bodies established to operate the organizations for the benefit of their respective owners. According to that certain study of the Timeshare Industry in Horry County preformed in 2004, at that time there were over 3000 units in the Horry County community alone. If you review the list of Associations contained on pages 2 of the study, I am very familiar with many of those Associations having managed some of them for many years. I can tell you from my experience that an increase in the maintenance fees as a result of this accommodations tax (which in some areas of Horry County would be 13%) would be devastating to these Associations. The majority of the Associations we manage were organized in the 70s and 80s. Accordingly, many of their owners are near retirement or have retired. Many of our owners are on a fixed income. I am not speaking of a small minority of owners, but in many of the Associations, the *majorities of the owners are* either near retirement or have been retired for some time. Most of these folks are on a fixed income and struggle to afford the increases in electricity, etc. let alone the increase that is proposed by this Tourism Subcommittee of TRAC.

Importantly, those that will be lost, i.e. the owners who will give up, not pay their maintenance fees and walk away from the property, will unfortunately be in the shoulders and the winter part of the year. That is the time which, unfortunately, continues to drain Associations financially causing the owners who are still owners to have to pay more and more of the maintenance fees. The impact to those Associations by this proposal would be devastating.

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Secondly, and importantly, this proposed 'cause of the loss of owners' to the Associations will be, as I stated earlier, the shoulder seasons, i.e. spring, fall and winter, will also correspondingly adversely impact the local economies in Horry County. In the study referred to earlier, an interesting fact is substantiated concerning the relative high occupancy Timeshares enjoy during the shoulder and winter seasons as opposed to hotels. Those are the very people, i.e. the owners, who will not be in Myrtle Beach, and accordingly, the restaurants, grocery stores, service stations, attractions, shopping, etc. will not enjoy the fruits of those off-season stays by owners.

Succinctly put, this idea is a bad idea founded on poor information and supported by no one who really understands the true timeshare owner. It is unfortunate, but I do think some people believe this to be a proposed tax on the rich or a tax on big corporations, when, in effect, this proposal would be a tax on those who can least afford to pay undue and burdensome additional taxes. It is also important for me to state to you that all timeshare owners in South Carolina have already paid the real estate taxes on their property, as directed by our state, as owners, not transient guest.

Yours very truly,

Kenneth L. McKelvey, CPA, RRP
Chairman and CEO

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