



200 East Robinson Street  
Suite 1170  
Orlando, FL 32801

RE: Sales Tax Exemption #31 (Timeshare Exchange and the Sale of Timeshare Interests)

November 12, 2009

Dear TRAC Commission Members:

We are writing you today to support the retention of Sales Tax Exemption #31, the statutory exemption from the gross proceeds from the sale of vacation time sharing plans and the exchange of accommodations in vacation time sharing plans. As members of the American Resort Development Association and having businesses operating in South Carolina, we believe it is essential for the health and future growth of our industry to keep these exemptions in place to encourage the purchase of time share as well as the decision by exchange users to visit South Carolina.

In 1998, the South Carolina Legislature decided it was in the best interests of the state's tourism industry to codify a long standing practice of not charging sales tax on the purchase or sale of time share interests as well as time share exchange transactions. This exemption provided the industry with certainty regarding its tax status and set the stage for the industry to grow by more than 50% between 2002 and 2007 and for exchange transactions to see a triple digit increase between 1998 and 2008. It has also helped make South Carolina the third most populous state for time share resorts (behind Florida and California). For these reasons, as well as those outlined below, we believe the Commission should recommend the retention of the current exemption for the sale and exchange of time share interests in South Carolina.

With respect to the exemption from the sale of interests in a vacation time sharing plan, time share in South Carolina, in almost all cases, is developed and sold as real property. Currently, the sale of real property in South Carolina is not subject to sales tax. As with second homes and vacation properties, time share should continue to be recognized as real property and therefore should not be subject to sales tax. To do otherwise would be to provide all other sale of real estate a competitive advantage over the time share industry and would, as a result, create a separate and unfair classification for the taxation of real property.

As for the exemption related to time share exchange, no state in the country currently does, or ever has, collected sales tax on time share exchange use. In 1998 the South Carolina Legislature made the policy decision to codify this long standing practice also

by passing legislation that clearly delineated that time share exchange is not subject to sales tax. In doing so, the legislature recognized that the time share product itself, like any other deeded interest in real property, does not have the attributes of a product that is subject to the sales tax. This year, a little more than decade after the law was passed in South Carolina, Florida followed South Carolina's lead and enacted legislation exempting time share exchange from sales tax, formalizing what had been common practice in that state as well. That means that Florida, California, and South Carolina, the first, second and third largest states for time share resorts in the U.S., all now have statutory exemptions for timeshare exchange use.

Many of the signatories on this letter are national or international companies, doing business around the world and with an owner base that reaches just as far. South Carolina is an important state to both our time share resort portfolios as well as to our owners who enjoy vacationing in the Palmetto State and who made more than 500,000 trips to South Carolina in 2007. Taxing time share exchange in South Carolina would create a significant disincentive to our owners and exchange users who wish to enjoy what the state has to offer. It would be natural for them to choose a similar vacation experience in Florida or North Carolina, for example, instead of South Carolina if they knew there would be an additional tax to pay. And, assuming there was a sales tax on the purchase of a time share interest, that tax would provide potential purchasers with a strong reason to forgo the purchase of time share in South Carolina in lieu of spending their discretionary income in another state.

For all of these reasons, we again urge the Commission to maintain Sales Tax Exemption #31 and keep the time share and tourism industry in South Carolina thriving.

Respectfully,

Bluegreen Corporation, Inc.  
Defender Resorts, Inc.  
Disney Vacation Club  
Festiva Resorts, LLC  
Holiday Inn Club Vacations  
Interval International, Inc.  
Marriott International, Inc.  
Plantation Resort Myrtle Beach  
RCI  
Sands Beach Club  
SPM Resorts, Inc.  
Starwood Vacation Ownership, Inc.  
Wyndham Vacation Ownership, Inc.