



STATE BOARD OF EQUALIZATION

1000 N STREET, SACRAMENTO, CALIFORNIA
P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808

(916) 445-4982

June 24, 1930

GEORGE R. REILLY
First District, San Francisco

ERNEST J. DRONENBURG, JR.
Second District, San Diego

WILLIAM M. BENNETT
Third District, San Rafael

RICHARD NEVINS
Fourth District, Pasadena

KENNETH CORY
Controller, Sacramento

DOUGLAS D. BELL
Executive Secretary

No. 80/97

TO COUNTY ASSESSORS:

THE VALUATION OF TIME SHARE OWNERSHIP

The time sharing type of ownership has become increasingly popular as recreation property values continue to increase, and we have received several inquiries concerning the valuation of these ownership interests.

Although current law does address the valuation for tax purposes of other types of multiple ownerships, such as community apartment projects and cooperative apartments, there are no statutes that specifically address the valuation of time share ownerships. In our opinion, the key to the valuation of these interests is the determination of whether a time share ownership is the equivalent of a fee ownership for each time period or an undivided ownership of the whole. We conclude that, barring legislative direction, time share owners are joint owners and therefore have an undivided interest in the property. This would apply whether a specific unit or the total project is the subject of the time share agreement.

The reappraisal of undivided interests upon a change of ownership is controlled by Section 65(b) of the Revenue and Taxation Code. An interest of 5 percent or more must be transferred before reappraisal can take place, and then only the interest transferred is revalued. The interest transferred in time share transactions is generally specified on the deed. The time share may be an interest in a single unit or, when the share is non-specific, in an entire project.

It is evident that there will be few transfers of share interests that will trigger revaluation under the undivided interest concept. However, in compliance with the appraisal principle of highest and best use, it is our opinion that the base year appraisal of a time share property, or portion thereof, eligible for valuation should be made on the basis of the market value of the time shares rather than on the basis of cost or comparability with sold properties held in ownership other than time share. While such properties may be physically similar, they are not directly comparable because of the difference in use.

Please contact John McCoy of our Technical Assistance Unit if you have any questions, (916) 445-4982.

Sincerely,

Verne Walton, Chief
Assessment Standards Division