

# CITY COUNCIL COMMUNICATION FORM

---

**FROM:** Kim Weber, Finance Director  
Dan Foote, City Attorney

**THROUGH:** Gary Suiter, City Manager

**DATE:** June 9, 2020

**ITEM:** Timeshare Tax – Potential Revenue

---

DIRECTION  
 INFORMATION ONLY  
 ORDINANCE  
 MOTION  
 RESOLUTION

---

## **I. REQUEST/ISSUE & BACKGROUND INFORMATION:**

City Council requested information regarding potential revenue estimates for tax applied to timeshare or fractional ownership units in Steamboat Springs. While the application of sales taxes to timeshare or fractional ownership transactions is problematic due to questions as to whether a taxable sale has occurred, the City would have clear authority to impose other forms of taxes on timeshare or fractional ownership transactions. For example, the City could impose a transient occupancy tax on short term lodging transactions that are not subject to City sales tax. Such a tax would capture timeshare or fractional ownership transactions. This type of tax on timeshare or fractional ownership transactions has not been widely imposed by other jurisdictions. The most notable instance of this type of tax is the transient occupancy tax imposed by the State of Hawaii.

Estimating potential tax revenue on timeshare units comes with two challenges. The first challenge is identifying all of the timeshare units in Steamboat Springs. Based on the Routt County Assessor database there are about 270 units categorized as "timeshare condo." However, the Chamber utilizes a number of 500 units based on the lodging information they have access to. For the revenue calculations being provided to you, staff is utilizing 500 units. The second challenge is identifying an average daily rate. By the nature of the timeshare

transaction there typically isn't money exchanged for "rental" of the unit when it is being utilized by the timeshare owner or member, therefore we are using a Fair Market Value (FMV) that would be summer and winter averaged. In some instances the units are rented to guests that are not owners or members and that creates a taxable transaction under our current sales and use tax code and City tax is currently being collected and remitted.

In order to provide City Council with revenue estimates, staff assumed there are 500 timeshare units and these units are occupied 40% of the days in a year. This calculates out to 146 days per year for each unit. Knowing that the fair market value of these rentals can be vastly different from one unit to the next and from one season to the next, staff has used two different average daily rates. These average daily rates are conservatively low due to the uncertainty of the other assumptions. As you can see in the table below, staff calculated possible revenue scenarios based on a transient occupancy tax equal to the City's 4% sales tax, equal to the City's 1% accommodation's tax, and we looked at it differently and applied a flat dollar amount per nightly stay.

Assumptions					Tax/Fee Revenue Scenarios			
Number of Timeshare Units	Occupied Timeshare Nights/Unit (40% of Year)	Number of Units x Occupied Nights	Average Daily Rate	Rental Revenue	4% Transient Occupancy Tax	1% Transient Occupancy Tax	\$3/night	\$4/night
500	146	73000	\$200	\$14,600,000	\$ 584,000	\$ 146,000	\$219,000	\$292,000
500	146	73000	\$250	\$18,250,000	\$ 730,000	\$ 182,500	\$219,000	\$292,000

**II. SUMMARY AND ALTERNATIVES:**

City Council requested this information for a work session topic for discussion purposes.

**III. STAFF RECOMMENDATION:**

Discussion only.

**IV. FISCAL IMPACTS:**

There are annual revenue opportunities associated with passing a transient occupancy tax ranging from \$150,000 to \$730,000 with the assumptions utilized.

**V. LEGAL ISSUES:**

Discussion only, however any new tax would need to be passed by the voters.

**VI. CONFLICTS OR ENVIRONMENTAL ISSUES:**

None noted.

**VII. CONSISTENCY WITH COUNCIL GOALS AND POLICIES**

None noted.

**LIST OF ATTACHMENTS**