



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 478 (Substitute S-2 as passed by the Senate)
House Bill 4880 (Substitute S-3 as passed by the Senate)
House Bill 5844 (Substitute H-2 as enrolled)
Sponsor: Senator Raymond E. Basham (S.B. 478)
Representative Randy Richardville (H.B. 4880 & 5844)
House Committee: Local Government and Urban Policy (H.B. 4880 & 5844)
Senate Committee: Finance

Date Completed: 12-8-04

RATIONALE

Michigan first imposed its \$3-per-month specific tax on trailer coaches in trailer coach parks in 1959 when mobile homes were viewed as an inexpensive and temporary solution to the State's post-war housing shortage. In the 45 years since the tax was established, it has not been raised to compensate for inflation. Since the specific tax was imposed, however, manufactured housing has evolved from wheeled trailers in small trailer parks to sectional housing that can cost upward of \$80,000 and often is located in developments that can contain hundreds of units. Some people believe that new manufactured housing communities are putting a strain on local governments and schools that are unable to fund the services they provide to the developments from the \$3-per-month tax. It has been suggested that the tax should be increased to reflect the inflation that has taken place since 1959, as well as the differing value of manufactured homes.

CONTENT

Senate Bill 478 (S-2) would amend the General Property Tax Act to provide that, after December 31, 2006, manufactured housing located on nonexempt real property and not subject to the specific tax proposed by House Bill 4880 (S-3), would have to be assessed as real property to the owner of the home, for the purposes of Section 2 (which describes land and buildings included in real property, for the purpose of taxation).

House Bill 4880 (S-3) would create the "Manufactured Housing Specific Tax

Act" to levy a new tax on qualified manufactured housing property beginning at a monthly rate of \$4 on single-section manufactured homes and \$4.50 on multisection homes in 2007, and increasing annually until it reached \$14 for multisection homes in 2013 and \$12 for single-section homes in 2014. The bill also would repeal the existing \$3-per-month specific tax on manufactured housing.

House Bill 5844 (H-2) would amend the Income Tax Act to include the proposed manufactured housing specific tax in the calculation of the homestead property tax credit.

Senate Bill 478 (S-2) and House Bill 5844 (H-2) are tie-barred to House Bill 4880.

Senate Bill 478 (S-2)

Under the General Property Tax Act, a mobile home on real property that is not exempt from the tax and is not subject to the specific tax on trailer coaches is assessed as part of the real property upon which the mobile home is located. Under the bill, a mobile home that would not be subject to the specific tax on manufactured housing in House Bill 4880 (S-3) after December 31, 2006, and was located on real property not exempt from the collection of taxes under the Act, whether or not permanently affixed to that real property, would be considered real property and would be assessed as part of the real property upon which the mobile home was located.

House Bill 4880 (S-3)

Tax Rate

Under the bill, beginning December January 1, 2007, each licensee would have to collect and remit the State specific tax levied under the proposed Act, which would be a tax upon the owner or occupant of qualified manufactured housing property. The monthly rate of the State specific tax levied in each year on a manufactured home would be as follows, depending on whether the home was single-section or multisection:

Year	Single-Section	Multisection
2007	\$4.00	\$4.50
2008	5.00	6.00
2009	6.00	7.50
2010	7.00	9.00
2011	8.00	10.50
2012	9.00	12.00
2013	10.00	14.00
2014*	12.00	14.00
*And each subsequent year		

Qualified manufactured housing property with a fair market value of \$5,000 or less would be exempt from paying the specific tax.

“Licensee” would be defined as the owner of a licensed mobile home park or a licensed campground. “Qualified manufactured housing property” would mean a manufactured home located in a licensed mobile home park or a licensed campground. Qualified manufactured housing property would include appurtenant structures to a manufactured home, including garages, sheds, patios, decks, porches, steps, and sidewalks.

“Multisection manufactured home” would mean a manufactured home that was constructed and transported in two or more sections. “Single-section manufactured home” would mean a manufactured home that was constructed and transported in one section.

“Manufactured home” would mean a mobile home or a park model home. “Park model home” would mean a temporary dwelling or a vehicle designed as temporary living quarters, for recreational, camping, seasonal, or travel use, that meets all of the following requirements:

- Has less than 400 square feet of living area.

- Is built on a single chassis, mounted on wheels, and drawn by another vehicle.
- May not be licensed for over-the-road travel without a special permit.
- May be titled and registered as a trailer coach under the Michigan Vehicle Code.

The terms “mobile home” and “mobile home park” would be defined as they are in the Mobile Home Commission Act.

Tax Collection & Distribution

Each licensee would have to remit the State specific tax to the treasurer of the local tax collecting unit in which the licensed mobile home park or campground was located, by the fifth day of each month for the immediately preceding month. The treasurer would have to accept, verify, and disburse the State specific tax collected under the Act in the following manner:

- 10% would have to be deposited in the State Treasury and credited to the General Fund.
- 35% would have to be deposited in the State Treasury and credited to the School Aid Fund.
- 20% would have to be retained by the local tax collecting unit and credited to its general fund. A portion of this amount would have to be considered reimbursement for assessing, billing, and collection services it rendered in collecting the specific tax.
- 15% would have to be transmitted to the treasurer of the local school district in which the licensed mobile home park was located and could be used only for nonoperating purposes.
- 20% would have to be transmitted to the county treasurer and credited to the general fund of the county.

If a licensed mobile home park or licensed campground were located in more than one local tax collecting unit, the park or campground would have to be considered a separate licensed mobile home park or campground for each local tax collecting unit in which it was located. The State specific tax accruing to a local tax collecting unit in which the park or campground was located would have to be paid to each local tax collecting unit on the basis of the qualified manufactured housing property in each local tax collecting unit.

Other Provisions

A licensee could add to the charges for qualified manufactured housing property in the licensed mobile home park or campground an amount equal to the specific tax collected and remitted for that property.

The bill would take effect on January 1, 2007, and would repeal Public Act 243 of 1959 (which provides for the \$3-per-month specific tax on mobile homes) effective December 31, 2006.

Every three years, beginning three years after the bill's effective date, the Senate and House of Representatives committees responsible for legislation concerning taxation of manufactured housing would have to review the State specific tax.

House Bill 5844 (H-2)

Under the Income Tax Act, a mobile home or trailer coach in a trailer coach park is a homestead, and the site rent for space is considered the rent of a homestead, for the purpose of the homestead property tax credit. The Act also states that the specific tax levied on mobile homes and trailer coaches under Public Act 243 of 1959 is considered a property tax. Under the bill, the Michigan manufactured housing specific tax also would be considered a property tax.

(Under the Income Tax Act, the owners of manufactured housing receive a homestead tax credit for the property tax they pay and 20% of their lot rent.)

MCL 211.2a (S.B. 478)
MCL 206.508 (H.B. 5844)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

A new specific tax on homes in the State's manufactured housing communities is long overdue. The current tax has not been increased since 1959 and counties and other local governments cannot fully fund the services they provide the manufactured housing communities with the \$36 they each receive annually from each manufactured housing unit under the current specific tax. The new specific tax would provide more money to those governmental units as well

as to the School Aid Fund. Phasing in the tax over eight years would allow the owners of manufactured housing to budget for the increased payments. Additionally, Michigan residents who live in inexpensive manufactured homes because they have no alternative affordable housing would not have to pay the tax on homes valued at less than \$5,000, which would reduce their overall tax burden.

By allowing the owners of manufactured homes a homestead tax credit for either the tax they pay under Public Act 243 of 1959 or the new specific tax, House Bill 5844 (H-2) would help offset the costs of the new specific tax to the owner of a manufactured home. Senate Bill 478 (S-3) would ensure that those manufactured homes that are not located in parks continued to be assessed as part of the real property.

Response: The increased revenue that would be generated by the new specific tax still would not be adequate to cover the services local governments provide to manufactured housing communities. In addition, House Bill 4880 (S-3) lacks any mechanism for increasing the tax beyond 2014 to compensate for inflation.

Opposing Argument

When fully implemented, the new specific tax would be four times the tax currently paid by manufactured home owners, and more than four times the current tax in the case of multisection homes. Many of Michigan's manufactured housing residents are living on fixed incomes and quadrupling the tax on their homes would create an economic hardship for them. Additionally, the specific tax would represent double taxation because the owners of manufactured housing parks already pay the ad valorem property tax on the lots where the homes sit, and pass on the cost of the property tax to their tenants through higher lot rents.

Response: This legislation would not increase the property tax paid by manufactured housing park owners. Although the park owners would have to remit the specific tax, presumably they would collect it from the home owners. The specific tax would not amount to double taxation any more than the existing tax on mobile homes does.

Opposing Argument

The legislation fails to provide a credit for the sales tax that manufactured homeowners pay on their homes when they

are purchased. Every time a manufactured home is sold it is subject to the State sales tax, whereas a site-built home is not. A credit should be given for the sales tax paid on a manufactured home because the sales tax is often many times what the mobile homeowner pays in specific taxes.

Response: The bills essentially would replace the existing tax on mobile homes with a new tax; they would not contribute to any perceived inequity in existing law resulting from the collection of the sales tax on mobile home sales. Furthermore, the owner of a mobile home pays the sales tax only once when purchasing the home, and a mere \$36 tax on the home each year, which would increase to a maximum of \$168 under the bills. The owner of a site-built home, on

the other hand, typically pays thousands of dollars in property taxes every year.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

These bills would generate an estimated \$1.1 million in net new revenue in 2007. In 2014, when fully phased in, the bills would generate an estimated \$14.1 million in net new revenue. This net new revenue would be distributed among the State's School Aid Fund and General Fund, local school districts, county governments, and other local governments, as shown in the following table.

**ESTIMATED FISCAL IMPACT OF SB 478 (S-2), HB 4880 (S-3), & HB 5844 (H-2)
PROPOSED CHANGE TO THE MOBILE HOME SPECIFIC TAX
(millions of dollars unless otherwise noted)**

	2007	2008	2009	2010	2011	2012	2013	2014
Current \$3/Month Specific Tax Revenue	\$5.2	\$5.2	\$5.3	\$5.3	\$5.4	\$5.4	\$5.5	\$5.5
Property Tax Credit (GF cost)	<u>0.4</u>							
Net Revenue after PT Credit	\$4.8	\$4.8	\$4.9	\$4.9	\$4.9	\$5.0	\$5.0	\$5.1
Proposed New Specific Tax HB 4880 (S-3)								
Single-Section Monthly Rate (dollars)	\$4.00	\$5.00	\$6.00	\$7.00	\$8.00	\$9.00	\$10.00	\$12.00
Annual Tax (dollars)	\$48.00	\$60.00	\$72.00	\$84.00	\$96.00	\$108.00	\$120.00	\$144.00
Double-Wide Monthly Rate (dollars)	\$4.50	\$6.00	\$7.50	\$9.00	\$10.50	\$12.00	\$14.00	\$14.00
Annual Tax (dollars)	\$54.00	\$72.00	\$90.00	\$108.00	\$126.00	\$144.00	\$168.00	\$168.00
Total Revenue HB 4880 (S-3)	\$6.4	\$8.3	\$10.2	\$12.2	\$14.2	\$16.3	\$18.8	\$20.8
Property Tax Credit (GF cost)	<u>\$0.5</u>	<u>\$0.7</u>	<u>\$0.8</u>	<u>\$1.0</u>	<u>\$1.1</u>	<u>\$1.3</u>	<u>\$1.5</u>	<u>\$1.7</u>
Net Revenue after PT Credit	\$5.9	\$7.6	\$9.4	\$11.2	\$13.1	\$15.0	\$17.3	\$19.2
Net New Revenue Under HB 4880 (S-3)								
School Aid Fund	(\$1.2)	(\$0.6)	\$0.0	\$0.7	\$1.4	\$2.1	\$2.9	\$3.6
General Fund	0.5	0.6	0.6	0.7	0.7	0.8	0.8	0.9
Local School Dist.	1.0	1.2	1.5	1.8	2.1	2.4	2.8	3.1
Local Gov't (Cities, Villages, Townships)	0.4	0.8	1.2	1.5	1.9	2.4	2.8	3.2
County Gov't	<u>0.4</u>	<u>0.8</u>	<u>1.2</u>	<u>1.5</u>	<u>1.9</u>	<u>2.4</u>	<u>2.8</u>	<u>3.2</u>
Net New Revenue	\$1.1	\$2.8	\$4.5	\$6.3	\$8.1	\$10.0	\$12.3	\$14.1

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

