

# Legislative Analysis

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## **MOBILE HOME PARKS: LATE TAX PAYMENT PENALTIES**

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**Senate Bill 111 (Substitute S-1)**

**Sponsor: Sen. Ron Jelinek**

**House Committee: Intergovernmental, Urban, and Regional Affairs**

**Senate Committee: Local, Urban, and State Affairs**

### **First Analysis (11-26-07)**

**BRIEF SUMMARY:** The bill would provide for a penalty, interest, and a civil fine if a mobile home park owner failed to remit to the local treasurer the \$3 monthly tax (which is paid in lieu of property taxes) on each mobile home.

**FISCAL IMPACT:** As written, the bill could potentially generate a small revenue increase.

### **THE APPARENT PROBLEM:**

Trailer coach park licensees (customarily called mobile home park owners) are required to collect and remit a monthly tax of \$3 per occupied trailer coach (mobile home), by the fifth day of each month. (Licensees may recover the cost of this tax through an increase in charges on mobile home parking spaces.) The tax is in lieu of the property tax on a mobile home, and must be remitted to the treasurer of the municipality (city, village, or township) where the park is located. Of each fee, the act allocates 50 cents to the municipality, 50 cents to the county, and \$2 to the State School Aid Fund. There is currently no penalty for failure to remit the tax. The tax reportedly generates \$5 million each year.

Historically, the Mobile Home Commission checked to see that park owners' tax payments were current before renewing a park's license. According to committee testimony, the Mobile Home Commission no longer conditions re-licensure upon full payment of a licensee's taxes, and some local treasurers have had difficulty collecting the tax. For example, a township treasurer in Ottawa County reports that a mobile home park owner has failed to pay the \$3 per unit monthly tax for more than a year. Other local township treasurers report similar resistance.

A bill has been introduced to set penalties for late payment of the monthly mobile home park tax.

### **THE CONTENT OF THE BILL:**

The bill would amend Public Act 243 of 1959, which regulates trailer coach (mobile home) parks, to provide for a penalty, interest, and a civil fine for failure to remit the monthly tax.

Under the bill, a licensee (park owner) who did not remit the tax by the required date would have to pay a late payment penalty of three percent of the unpaid balance. Interest would accrue on the unpaid balance at a rate of one percent per month. The licensee also would be liable for a civil fine of up to \$10 per occupied trailer coach for each month the licensee did not remit the tax. (The bill does not specify how this civil fine is to be distributed.)

MCL 125.1041

### ***BACKGROUND INFORMATION:***

As noted earlier, the current \$3 per month mobile home tax generates about \$5 million annually. This tax is in lieu of the general property tax. As described above, the penalty proposed in this bill would include a late charge, an interest charge, and a civil fine. For example, a trailer park owner (licensee) whose park has 100 occupied trailers would have a \$300 monthly mobile home tax liability. If the trailer park owner were one month late in remitting this tax, under current law the trailer park owner would incur no type of late payment, but under this bill would incur a late penalty of \$9, an interest charge of \$3, and a civil fine of up to \$1,000, for a potential total penalty of up to \$1,012. If this trailer park owner remitted a month's \$300 tax liability six months late, the total penalty would potentially increase to \$6,027. The bill does not specify how the new revenue generated from the proposed late payment penalties would be distributed. The aim of the bill is to help improve timely payment of this tax. (This information was derived from a Senate Fiscal Agency analysis of the bill dated 8-2-07.)

### ***HOUSE COMMITTEE ACTION:***

The House Intergovernmental, Urban, and Regional Affairs Committee reported out the Senate-passed version of the bill without amendment.

### ***ARGUMENTS:***

#### ***For:***

Currently, the mobile home payment in lieu of property tax yields \$5 million each year. Two-thirds of the revenue generated by the trailer coach tax is allocated to the State School Aid Fund, and represents the primary contribution of trailer coach occupants to fund local schools. Because the tax revenue is important to the state as well as local units of government, it is necessary that trailer coach park licensees remit the tax money they owe. The bill—adding financial penalties for late payment—would encourage licensees to pay the tax on time. If they did not, the opportunity to recover the tax plus penalties would off-set the costs of legal action that might be taken on behalf of a municipality or the state.

#### ***Against:***

The Michigan Manufactured Housing Association argues that the bill should be amended to clearly define "occupied trailer coach," and apply the \$36 annual tax and any penalties

for late payment only to those mobile homes that are occupied. The association's spokesman points out that many mobile homes have been abandoned or foreclosed during the state's economic downturn. He argues that mobile home park owners should not be liable to pay the tax if monthly rents are not being collected.

***Response:***

Committee members and a Department of Treasury spokesman noted that a homeowner's tax liability continues during foreclosure or abandonment. Taxes are not forgiven. A mobile home owner should be treated the same as a homeowner living in a stationary structure. Consequently, penalties for late payment should be assessed.

***POSITIONS:***

The Department of Treasury supports the bill. (11-7-07)

The Michigan Township Association supports the bill. (11-7-07)

The Michigan Association of Counties supports the bill. (11-7-07)

The Michigan Manufactured Housing Association is neutral on the bill. (11-7-07)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.