



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)

(916) 445-4982

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BURTON W. OLIVER
Executive Director

No. 92/57

August 31, 1992

TO COUNTY ASSESSORS:

CLASSIFICATION OF MANUFACTURED HOMES

Chapter 796 of the Statutes of 1991
Effective January 1, 1992
(Assembly Bill 2227, Mays)

NOTE: This letter supersedes or affects previous advice from Board staff as contained in the following letters or publications:

- Letter to assessors 81/118, dated September 29, 1981
- Letter to assessors 87/32, dated March 31, 1987
- Assessors' Handbook Section 515, The Appraisal of Mobilehomes, October 1984, pp. 19-22
- Assessment Practices Survey, A Report on the Assessment of Mobilehomes, 1985, pp. 3-5

Chapter 796 of the Statutes of 1991 renamed and amended Part 13 of Division 1 of the Revenue and Taxation Code. Formerly titled "TAXATION OF MOBILEHOMES," Part 13 is now titled "TAXATION OF MANUFACTURED HOMES." Thus, throughout Part 13 the term "mobilehome" has, with one exception, been replaced by the term "manufactured homes."

Note that the new law makes Part 13 applicable to manufactured homes, as defined in Health and Safety Code Section 18007, in addition to mobilehomes, as defined in Section 18008. However, the new law specifies that both types of units, manufactured homes and mobilehomes, are included in the meaning of the term "manufactured home" as that term is used in Part 13. In this letter, our use of the term "manufactured home" is within the context of Part 13.

In addition to revising terminology, Chapter 796 amended substantive language in Part 13 relating to the assessment of manufactured homes. Specifically, the new law affects classification of manufactured homes for property tax purposes and expressly provides for exemption for manufactured homes returned to a dealer for resale. We discuss each of these changes below.

Classification

As amended by Chapter 796, Revenue and Taxation Code Section 5801(b) states:

Revenue and Taxation Code Requirements

Section 5803(b) of the Revenue and Taxation Code specifically provides that the assessed value of a manufactured home located on rented or leased land is not to include any value attributable to the particular site where the manufactured home is located. Section 5803(b) reads:

"The Legislature finds and declares that, because owners of manufactured homes subject to property taxation on rented or leased land do not own the land on which the manufactured home is located and are subject to having the manufactured home removed upon termination of tenancy, 'full cash value' for purposes of subdivision (a) does not include any value attributable to the particular site where the manufactured home is located on rented or leased land which would make the sale price of the manufactured home at that location different from its price at some other location on rented or leased land. In determining the 'full cash value' of such a manufactured home on rented or leased land, the assessor shall take into consideration, among other relevant factors, sales prices listed in recognized value guides for manufactured homes, including, but not limited to, the Kelly Blue Book Manufactured Housing and Mobilehome Guide and the National Automobile Dealer Association's Mobilehome Manufactured Housing Appraisal Guide."

Appraisal Record Documentation

Note that Section 5803(b) states that the assessor shall take into consideration sales prices for manufactured homes listed in recognized value guides. Among the general provisions governing construction of the Revenue and Taxation Code is Section 16; this section provides in part that "shall" is mandatory. Therefore, in determining the full cash value of a manufactured home for assessment purposes, consideration must be given to sales prices listed in at least one of the recognized value guides for manufactured homes. To establish that the appraiser has considered sales prices listed in a recognized value guide, we recommend the appraiser document in the appraisal record both the recognized value guide relied upon and the value indicated by that guide.

Approaches to Value

The value indicator derived from a recognized value guide should be compared with the indicated values derived from other valuation approaches to ensure that the value indicated by the value guide is within the market range. Below we discuss each approach to value, including the method using a recognized value guide.

Cost Approach: In the cost approach for manufactured homes, costs are not derived from actual building costs for new manufactured homes; instead, costs are estimated from retail sales. There are two cost approaches for manufactured homes: the "replacement cost" approach and the "replacement cost new less depreciation" approach.

Further, manufactured homes owned by government entities but used for private benefit constitute taxable possessory interests only if installed pursuant to Section 18551. (Of course, there may still be a taxable possessory interest in the land occupied by the manufactured home.)

Dealer Resales

Chapter 796 added Section 5815 to the Revenue and Taxation Code. This section states:

"Notwithstanding any other provision of law, a manufactured home otherwise subject to property taxation pursuant to this part, which has been removed from its situs and returned to a dealer's established place of business for purposes of resale, shall not be subject to property taxation during the period it is held in the dealer's inventory, provided it remains personal property."

This section requires expressly that which Board staff previously stated interpretively. Namely, manufactured homes held by dealers as inventory, whether for original sale or for resale, are exempt from taxation unless classified as real property. Since manufactured homes are classified as real property only if installed pursuant to Section 18551, it follows that all dealers' inventory, except those manufactured homes installed pursuant to Section 18551, is exempt.

If you have any further questions, please contact our Real Property Technical Services Unit at (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

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