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March 13, 2006

Honorable Gary E. Hazelton
Assessor-Recorder
701 Ocean Street, Rm. 130
Santa Cruz, CA 95060

Re: Voluntary Conversion of Manufactured Homes to Property Taxation

Dear Mr. Hazelton:

This is in response to your letter dated December 12, 2005, addressed to Kristine Cazadd, Chief Counsel, regarding manufactured homes. Under California Health and Safety Code section 18555, the owner of a manufactured home, who is also a member of a resident-owned mobilehome park may voluntarily convert the manufactured home to property taxation without putting it on a permanent foundation by recording a Housing and Community Development Agency (HCD) Form 433(C) (Notice of Manufactured Home (Mobilehome) Conversion to a Fixture Improvement to Real Property) and canceling the title and registration with HCD. You request an opinion as to the following: (1) Does recording a HCD Form 433(C) make the manufactured home subject to property taxation; and (2) Whether the owner of a manufactured home is subject to supplemental assessment upon voluntary conversion to property taxation. For the reasons set forth below, we conclude that recording a HCD Form 433(C), and giving notice to HCD and the assessor subjects a manufactured home to property taxation. We also conclude that the owner of a manufactured home voluntarily converted to property taxation is not subject to a supplemental assessment.

Legal Analysis

1. Does recording a HCD Form 433(C) make the manufactured home subject to property taxation?

Generally, manufactured homes are classified as personal property and are taxed under the Manufactured Home Property Tax Law set forth in Revenue and Taxation Code¹ section 5800 et seq. An exception to this classification is provided in section 5801, subdivision (b)(1), which states that a “manufactured home” does not include a manufactured home that has become real property by being affixed to land on a permanent foundation. When a manufactured home is installed on a permanent foundation, it is taxed in the same manner as all other real property.

However, new manufactured homes sold prior to July 1, 1980, are subject to the Vehicle License Fee (VLF) with the following exceptions: (1) owners of pre-July 1, 1980 manufactured homes subject to the VLF continue to be subject to the VLF unless the owner chooses to voluntarily transfer the manufactured home to the property tax roll; and (2) manufactured homes

¹Unless otherwise specified, all section references are to the Revenue and Taxation Code.

subject to the VLF on which the registration lapsed for 120 days or more between July 1, 1980 and October 1, 1984, and on which reinstatement to the VLF system was not applied for by December 31, 1986, were automatically placed on the property tax rolls. (*Assessors' Handbook*, Section 511, Assessment of Manufactured Homes and Parks, p. 2 (November 2001) ("AH 511").)

Health and Safety Code section 18555, subdivision (a) provides that:

Notwithstanding any other provision of law, the registered owner of a manufactured home or mobilehome in a mobilehome park, converted or proposed to be converted to a resident-owned subdivision, cooperative, condominium, or nonprofit corporation formed pursuant to Section 11010.8 of the Business and Professions Code, may, if the registered owner is also a participant in the registered ownership, apply for voluntary conversion of the manufactured home or mobilehome to a fixture and improvement to the underlying real property without compliance with subdivision (a) of Section 18551 [affixation to real property].

Thus, recordation of a HCD Form 433(C) indicates that a manufactured home has been voluntarily converted from the VLF to property taxation, even if it has not been affixed to a permanent foundation. Recordation of an HCD form 433(C) is necessary, but not sufficient, for a voluntary conversion. Under subdivision (a) of section 5801, the owner must also give notice to HCD and the assessor. These steps must be taken in order to convert a manufactured home to property taxation.

2. Whether the owner of a manufactured home is subject to supplemental assessment upon voluntary conversion to property taxation?

Manufactured homes are subject to supplemental assessment pursuant to section 75.5, which defines property for supplemental assessment purposes to include manufactured homes subject to taxation under Part 13 (commencing with Section 5800) and real property. Section 75.11 specifies the procedure for making supplemental assessments resulting from changes in ownership or new construction. Subdivision (a) of section 75.11 provides:

If the change in ownership occurs or the new construction is completed on or after January 1 but on or before May 31, then there shall be two supplemental assessments placed on the supplemental roll. The first supplemental assessment shall be the difference between the new base year value and the taxable value on the current roll. In the case of a change in ownership of the full interest in the real property, the second supplemental assessment shall be the difference between the new base year value and the taxable value to be enrolled on the roll being prepared.

Thus, a supplemental assessment is made upon a change in ownership or completion of new construction. However, where a manufactured home is voluntarily transferred from being subject to the VLF to the local property tax roll, it is not subject to a supplemental assessment because there is no change in ownership and no new construction. (AH 511, at p. 44 .) Thus, the

manufactured home should be valued on the ensuing lien date and enrolled on the following July 1. (*Id.*)

The views expressed in this letter are only advisory in nature. They represent the analysis of the legal staff of the Board based on present law and the facts set forth herein, and are not binding on any person or public entity.

Sincerely,

Mariam Baxley
Tax Counsel

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| | Mr. Todd Gilman | MIC:70 |