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(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)
(916) 445-4982

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No. 80/4

January 11, 1980

TO COUNTY ASSESSORS:

MOBILEHOME ASSESSMENTS

I am sure you are all aware that during 1980 the assessment of certain mobilehomes will become the responsibility of the assessors.

During the 1979 legislative session, two bills were passed that involve the assessment of mobilehomes. The first, Assembly Bill 887 (Chapter 1160), was chaptered on September 29, 1979. It became effective on January 1, 1980 and provides that mobilehomes installed on a foundation system on the owner's land will be subject to property taxation beginning with the 1980 lien date.

The second bill, Senate Bill 1004 (Chapter 1180), was chaptered on September 30, 1979. It became effective on January 1, 1980, but is not operative until July 1, 1980. Briefly, this bill provides that all new mobilehomes acquired on and after July 1, 1980 are subject to property taxation. Also, effective July 1, 1980, all mobilehomes acquired prior to July 1, 1980 will become subject to property taxation if their annual registration is allowed to lapse for a period of 120 days or more.

The main thrust of this letter is to discuss Assembly Bill 887, since it is the first to go into effect. Senate Bill 1004 will be discussed at greater length at a later date.

Assembly Bill 887 amends various sections of the Civil Code, the Health and Safety Code, the Revenue and Taxation Code, and the Vehicle Code. The sections that have the most impact upon the assessor are as follows:

- (1) Revenue and Taxation Code, Section 109.7 is added and provides that "Any mobilehome which is installed for occupancy as a residence and is subject to taxation, shall be subject to local property taxation, and shall no longer be considered a vehicle for purposes of registration or any other purpose.
 - (a) For the purpose of this section, a 'mobilehome' is as defined in Sections 18008 and 18211 of the Health and Safety Code.

- (b) For purposes of this section, 'installed' means installation on a foundation system pursuant to Section 18551 of the Health and Safety Code."
- (2) Health and Safety Code, Sections 18008 and 18211 were amended to define a mobilehome as follows:

"'Mobilehome,' for the purposes of this chapter, is a structure transportable in one or more sections, designed and equipped to contain not more than two dwelling units to be used with or without a foundation system. Mobilehome does not include a recreational vehicle, commercial coach, or factory-built housing as defined in Section 19971."

Health and Safety Code, Section 18010.5 defines a "recreational vehicle" as a motorhome, travel trailer, truck camper or camping trailer, with or without motive power, designed for human habitation for recreational or emergency occupancy, with a living area less than 220 square feet, excluding built-in equipment, such as closets, cabinets, bathrooms, etc. It generally requires a vehicle of approximately 8 feet wide by 40 feet long to exceed the 220 square feet requirement and thus fall into the mobilehome category. Section 18012 of the Health and Safety Code defines a "commercial coach" as a vehicle, with or without motive power, designed and equipped for human occupancy for industrial, professional, or commercial purposes.

Health and Safety Code, Section 19971 describes factory-built housing as a residential building that is manufactured off site and wholly or partially assembled on site.

- (3) Health and Safety Code, Section 18551 was added. This section provides for the installation of a mobilehome on a foundation system and sets forth the conditions to be followed.
- (a) The foundation system must be of a design approved by the Department of Housing and Community Development. According to that department, the foundation system shall be below, or partly below grade, not intended to be removed from the site, and both it and the connection of the mobilehome to the foundation system shall be designed to withstand the vertical and lateral forces due to dead load, roof and floor live loads, and wind and seismic loads in accordance with the provisions of Chapter 29, Uniform Building Code, 1979 edition.
- (b) Prior to installation, the mobilehome owner or licensed contractor shall obtain a building permit from the local agency.

January 11, 1980

- (c) Before a building permit is issued, the mobilehome owner must show that he owns or holds title to the land where the mobilehome is to be installed.
- (d) Once the certificate of occupancy is issued, the issuing local agency shall record a document describing the real property upon which the mobilehome is installed upon a foundation system.
- (e) The Department of Motor Vehicles receives a copy of the certificate of occupancy and will cancel the mobilehome registration for those mobilehomes previously registered.

Basically, Assembly Bill 887 provides that effective January 1, 1980 any mobilehome installed upon a foundation system on the owner's land that complies with the conditions set forth in Health and Safety Code, Section 18551 is subject to property taxation. The assessor will be made aware of these installations by the issuance of the building permit and the recordation of the certificate of occupancy. The assessors should then proceed with the appraisal and enrollment of these mobilehomes as real property.

Attached are a series of questions and answers which should aid your staff.

Please contact us if you have any questions regarding this letter or Assembly Bill 887. As mentioned earlier, a letter covering Senate Bill 1004 will be distributed at a later date.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:ce
Enclosure

QUESTIONS AND ANSWERS PERTAINING TO
ASSESSMENTS OF MOBILEHOMES ON PERMANENT FOUNDATIONS

1. QUESTION: What is the effective date of Assembly Bill 887?

ANSWER: Assembly Bill 887 became effective on January 1, 1980. Mobilehomes that are installed on a foundation system as of the 1980 lien date should be on the 1980-81 assessment roll.

2. QUESTION: Will the qualified mobilehomes be enrolled as real or personal property?

ANSWER: Mobilehomes installed on foundation systems on the owner's land qualify as real property and should be on the secured roll.

3. QUESTION: Will installed mobilehomes come under the valuation standard of Article XIII A, Section 2, of the California Constitution? If so, what base year will be used?

ANSWER: As real property they will be valued in accordance with Article XIII A, Section 2, and the land and mobilehome will be considered as one unit for determining loss in value, except losses due to calamity.

The base year of the mobilehome will be the year acquired by the present owner or 1975, whichever occurred last. Where the mobilehome was acquired as a vehicle and then placed upon a foundation system on the owner's land, there may be several base years to contend with. First, the base year of the mobilehome calculated per the above instructions. Second, the base year of the land which is the later of either the year acquired by the present owner or 1975. Third, the date the land was altered to accommodate the mobilehome. Fourth, for the mobilehome installation costs, the date the mobilehome was installed.

4. QUESTION: How should the mobilehome be valued?

ANSWER: Referring to question number three, with the various base years, the full value as of the respective base years will have to be calculated for each element and then indexed for inflation to the current lien date. The full value of the unit as of the lien date must be calculated and compared to the indexed value. The lower of the two would be enrolled. In computing the full value for both the base year and the current lien date, the value must exclude any personal property that would qualify for the household furnishings and personal effects exemption. In estimating the full value by the cost approach, the appraiser must consider the mobilehome delivery cost, installation cost, and sales tax.

5. QUESTION: How should the sales tax be calculated?

ANSWER: In calculating the sales tax for installations occurring prior to July 1, 1980, the sales tax would be applied on the basis of 40 percent of the mobilehome's retail price. Subsequent to July 1, 1980, the sales tax would be applied on the basis of 60 percent of wholesale price. Where the sales tax is applied on the wholesale price, it will become part of the retail selling price; thus, it would not be proper to add sales tax to these transactions.

6. QUESTION: What methods of valuation should be used?

ANSWER: The cost and market approaches should be processed as value indicators. A primary source of information for valuing the mobilehome would be the invoice, if available. Other sources would be blue books, retail dealers, banks, savings and loan companies, real estate firms, and square foot cost manuals. This division intends to publish a mobilehome classification system and a mobilehome cost section as part of the residential cost manual. It should be issued in March 1980. Where sales data are used, the appraiser will have to exclude the portion of the sales price attributable to household furnishings and personal effects.

7. QUESTION: How will the assessor discover mobilehomes placed upon foundation systems?

ANSWER: After January 1, 1980, installing a mobilehome upon a foundation system on the owner's land will require issuance of a building permit and recordation of the certificate of occupancy. The local agency issuing the permit must file a copy with the assessor. Those installed on a foundation prior to January 1, 1980 will only be discovered through records review and legwork.

8. QUESTION: Will it be possible to place mobilehomes upon permanent foundation systems on land other than land owned by the mobilehome owner?

ANSWER: No. Effective January 1, 1980 it will be unlawful to occupy as a residence, or permit anyone to occupy as a residence, any mobilehome installed on a foundation system unless it is installed in compliance with Health and Safety Code, Section 18551. Installing a mobilehome on a permanent foundation system on land owned by another party would not be in compliance with Section 18551.

9. QUESTION: What about those mobilehomes that were placed on foundation systems on the owner's land prior to January 1, 1980? Will they be subject to property tax?

ANSWER: Any mobilehome that was placed upon a permanent foundation system on the owner's land prior to January 1, 1980, and was enrolled by the assessor, should continue to be assessed. Those that were not licensed and not enrolled should be enrolled as escaped real property and assessed for all the years allowed by statute. It is not quite as clear for mobilehomes that were placed upon foundation systems on the owner's land prior to January 1, 1980, but continued to be licensed by the Department of Motor Vehicles. Since they were paying an in-lieu tax, we don't advocate enrolling escape assessments. However, from a property tax standpoint, when a mobilehome is permanently attached to a foundation system, either legally or otherwise, it has been converted to real property. We recommend these be enrolled as real property as of the subsequent lien date.

10. QUESTION: Must the transfer of an installed mobilehome be reported on a "change of ownership" statement?

ANSWER: Yes, as real property, any transfer of ownership must be reported.

11. QUESTION: Must the acquisition of a mobilehome that will be installed on a foundation system on land previously acquired be reported on a "change of ownership" statement?

ANSWER: If a new mobilehome is acquired on or after January 1, 1980 and, based upon the purchaser's intent to place it upon a foundation system, no vehicle registration is issued, then it would be subject to property taxes. Accordingly, Revenue and Taxation Code, Section 480, effective January 1, 1980, requires a change of ownership statement for a mobilehome subject to property taxation when it transfers.

12. QUESTION: Who is responsible to discover mobilehomes that have been placed upon foundation systems?

ANSWER: Discovery is the responsibility of the assessor.

13. QUESTION: What does the assessor do when he discovers licensed recreational vehicles or commercial coaches that have obviously been installed upon permanent foundations?

ANSWER: Neither Assembly Bill 887 nor Senate Bill 1004 covers recreational vehicles and commercial coaches. However, when a vehicle has been converted to real property, it is no longer a vehicle and should be assessed as real property.

14. QUESTION: What should the assessor do for the 1980 lien date if the building permit has been issued but the certificate of occupancy has not been issued?

ANSWER: The answer will depend on whether the mobilehome is installed or uninstalled on the lien date, the date originally sold, and whether or not it is currently licensed. For example: on the 1980 lien date if the mobilehome is at the site but not yet installed, first acquired on or after January 1, 1980, and not currently licensed, it would be taxable as personal property, the same as any unattached personalty at a building site. However, if it were currently licensed, then it would not be taxable until installed. If installed on a foundation system but the certificate of occupancy has not been issued, it would be treated as construction in progress and assessed accordingly.

15. QUESTION: What volume of mobilehomes can the assessor expect to be installed upon foundation systems?

ANSWER: We don't see a great number of mobilehomes being placed on foundation systems. Most of the activity will occur in the few counties that require a permanent foundation when mobilehomes are located outside a mobilehome park.

MOBILEHOME

Assessment. As the result of Statutes of 1979, Chapter 1160, any mobilehome installed upon a foundation system on the owner's land that complies with the conditions set forth in Health and Safety Code Section 18551 is real property subject to property taxation on the secured roll. As real property, mobilehomes will be valued in accordance with Article XIII A, Section 2 of the Constitution. LTA 1/11/80 (No. 80/4).