



STATE OF CALIFORNIA

**STATE BOARD OF EQUALIZATION**

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March 31, 1987

No. 87/32

TO COUNTY ASSESSORS:

CLASSIFICATION OF MOBILEHOMES

We have received numerous inquiries from assessors' offices and private parties regarding whether mobilehomes should be classified as improvements or personal property. This letter serves as a restatement of the existing Board policy on classification of mobilehomes. This position was stated in a previous letter to assessors titled Classification of Mobilehomes and Correction to Letter 81/54 (No. 81/118), Assessors' Handbook Section 515, The Appraisal of Mobilehomes, October 1984, (P. 19-22), and a special assessment practices survey titled A Report on the Assessment of Mobilehomes, 1985 (P. 3-5).

The Legislature has set in place the following definitions concerning mobilehomes: (1) affirmed that currently licensed mobilehomes which were first sold prior to July 1980 are vehicles subject to vehicles' license fees in lieu of property taxation, and (2) declared that mobilehomes which are installed on permanent foundation systems are structures, not mobilehomes. In general, all mobilehomes that were not so defined by the Legislature are subject to local property tax regardless of classification. It is the opinion of the Board that those mobilehomes subject to local property tax must be inspected in the field in order to determine the proper classification. The assessor has the responsibility and the final decision concerning classification after he/she has applied the threefold fixture test.

The threefold fixture test has been extensively discussed in a previous Assessors' Letter (No. 78/187). Briefly, the test is:

1. The physical facts and outward appearances manifest an intention that the article be annexed to the realty for some indefinite period of time; or
2. The article annexed is particularly adaptable to the purpose for which the realty is used and removal of the article would completely or materially cause the real property to be unfit for its intended use; or
3. The article annexed is attached to realty by physical means or by its own mass, thus manifesting an outward appearance that the article would remain with the real property for some indefinite period of time.

A more extensive treatment of this fixture test specific to mobilehomes can be found in Assessors' Letter 81/118.

In summary, with regards to mobilehomes subject to local property taxation, a mobilehome installed on an approved foundation is a structure and is no longer classified as a mobilehome. All other mobilehomes are either classified as real property or personal property depending on whether it meets one or more portions of the threefold fixture test. If a particular mobilehome setup is classified as personal property, then, the assessor should consistently classify similar mobilehome setups. This classification is not dependent upon ownership, be it by dealer, serviceman, bank, government, private party, or whoever, but should be guided by the threefold fixture test.

If the mobilehome is classified as personal property and held for sale or lease in the ordinary course of business, it is exempt from property taxation as business inventory. However, if a mobilehome is classified as an improvement, it cannot be exempted as business inventory. If it is classified as an improvement, it may qualify for the builders' exclusion from supplemental assessment.

The Soldier and Sailor Civil Relief Act of 1940 provides that a person on active duty in military service may declare the situs of his or her personal property to be his or her home state. This declaration renders the personal property immune from taxation in the state where the individual is stationed on active duty. In other words, if the mobilehome is classified as personal property and owned by a military person on active duty in California who claims residency in another state, then the mobilehome is exempt from local property tax. However, if a mobilehome is classified as an improvement, it is subject to local property tax.

A mobilehome may be owned on the lien date by a bank, insurance company, or financial corporation, usually as a result of repossession. In such a case, the mobilehome is exempt if classified as personal property but taxable if classified as an improvement. If a mobilehome is classified as personal property and leased to a person or to a taxable entity, the assessor must determine whether the lessee is acquiring an equitable interest in the property. If the contract amounts to a purchase contract, the mobilehome should be assessed to the lessee. See Assessor's Letter 79/155 "Guidelines to Differentiate Between a Lease and a Conditional Sales Contract." Moreover, if the lessor is a bank or financial corporation, the lessee of tangible personal property is conclusively presumed to be its owner. See Revenue and Taxation Code Section 235, as added by Chapter 1457 of the Statutes of 1986 (AB 2890). If the contract is a true lease, however, and the mobilehome is owned by an insurance company, it is not assessable.

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Another situation involves the ownership of a mobilehome by a government entity which is leased to a private party. If it is classified as real property, then the private rights become assessable as possessory interests. However, if it is classified as personal property, no possessory interest exists since possessory interest exists only in real property (Revenue and Taxation Code, Section 107).

As you can gather from the above discussion, the classification of a mobilehome has major impact upon its taxability. Therefore, great care should be taken to maintain consistency in the assessment of mobilehomes. If you have any additional questions, please feel free to contact our Technical Services Section at (916) 445-4982.

Sincerely,



Verne Walton, Chief  
Assessment Standards Division

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