



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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

(916) 445-4982

WILLIAM M. BENNETT
First District, Kentfield

BRAD SHERMAN
Second District, Los Angeles

ERNEST J. DRONENBURG, JR.
Third District, San Diego

MATTHEW K. FONG
Fourth District, Los Angeles

GRAY DAVIS
Controller, Sacramento

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 Thus, throughout Part 13 the term "mobilehome" has, with one exception, been replaced by the term "manufactured homes."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:

"(1) 'Manufactured home,' as used in this part, does not include a manufactured home which has become real property by being affixed to land on a permanent foundation system pursuant to Section 18551 of the Health and Safety Code and is taxed as all other real property is taxed.

"(2) Except as provided in paragraph (1), a manufactured home, otherwise subject to taxation pursuant to this part, shall not be classified as real property for property taxation purposes that would be excluded from taxation pursuant to this part."

While the language may be subject to more than one interpretation, we believe that the intent of subdivision (b) of Section 5801 is to require that all manufactured homes be classified as personal property, except those affixed on permanent foundation systems pursuant to Section 18551 of the Health and Safety Code. The new law thus provides the previously lacking statutory directive (see letter to assessors 81/118) to classify as personal property any manufactured home not installed on an appropriate permanent foundation system.

Note that to be considered "affixed to land on a permanent foundation system pursuant to Section 18551 of the Health and Safety Code" a manufactured home must have been installed in compliance with several procedural requirements under Section 18551. First, the manufactured home owner or a licensed contractor must have obtained a building permit from the appropriate enforcement agency. (The building permit may be obtained only after the owner or contractor provides specified documents and fees.) Further, on the same day that the certificate of occupancy for the manufactured home is issued by the enforcement agency, that agency must have recorded with the county recorder a document naming the owner of the real property, describing the real property with certainty, and stating that a manufactured home has been affixed to that real property by installation of a foundation system pursuant to Section 18551. Finally, the Department of Housing and Community Development must have cancelled the registration of the manufactured home.

If the installation of any manufactured home fails to comply with the terms of Section 18551, subdivision (b) of Section 5801 requires that the manufactured home be classified as personal property, regardless of outward appearances.

The new law will directly affect the taxability of many manufactured homes that are currently classified by assessors as real property but which are not installed pursuant to Section 18551. For example, since personal property of banks, financial corporations, and insurance companies is exempt from property taxation, all manufactured homes owned (and not leased) by these entities are now exempt unless installed pursuant to Section 18551. The same is true for manufactured homes owned by active military personnel stationed in California but claiming residency in another state, in accordance with the Soldiers and Sailors Civil Relief Act of 1940.

August 31, 1992

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

VW:sk