

CHAPTER 6H

MOBILEHOME TAXATION

HIGHLIGHTS

- Mobilehomes Taxes Sales or use tax when sold.
Property Tax or Vehicle License Fee (VLF),
depending on date of mobilehome purchase.
 - Tax Exemptions Partial sales or use tax exemption for some
mobilehomes.
 - Administration Sales and Use Tax: Board of Equalization (BOE)

Property Tax: County Assessor

Vehicle License Fee: Department of Housing and
Community Development (HCD)
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1. OVERVIEW OF MOBILEHOME TAXATION

The taxation of mobilehomes is somewhat complex. Since the late 1970s, the law has been modified many times to reflect the changing role of mobilehomes in our society from primarily vehicles to primarily stationary housing. Mobilehomes are generally subject to two major kinds of taxes: (a) sales or use taxes at the time of sale or resale, and (b) either the property tax or the VLF annually. When applied to mobilehomes, the VLF is commonly called the "in-lieu tax (ILT)", as it is seen as a tax in lieu of the property tax. The specifics of these taxes are summarized below.

2. SALES TAXES ON MOBILEHOMES

The following guidelines are used when applying the sales tax to mobilehomes.

For New Mobilehomes:

- A new mobilehome sold after July 1, 1980, to a customer for occupancy as a residence is subject to use tax on 75% of the dealer's cost, regardless of whether or not the mobilehome is installed on a permanent foundation. This represents a partial exemption, since the sales tax is normally applied to 100% of the retail price of an item.
- A new mobilehome sold for any nonresidential use is subject to sales tax on 100% of the sales price of the mobilehome.

For Used Mobilehomes:

- A used mobilehome that is subject to the local property tax (see below) is exempt from the sales tax.
- A used mobilehome that is subject to VLF (see below) is subject to sales tax based on its current value, as determined by a recognized value guide, if the sale is:
 - a) Through a person licensed as a dealer and not on the dealer's own account;
 - b) Through a licensed real estate broker; or
 - c) A private party transaction.

However, if the value guide does not include the age, model, and manufacturer of the particular mobilehome, or if the actual sales price is less than the value specified in the value guide, the sales tax is based on the actual sales price of the mobilehome.

- A used mobilehome subject to VLF is subject to sales tax based on the sales price of the mobilehome if it is sold by a dealer acting on his or her own account and not as a broker.

The sales price includes charges for awnings, skirting, and other property sold with the used mobilehome that is not directly affixed to real property. Separately stated charges for existing real property improvements (such as concrete, landscaping, or in-place location value) are not subject to the sales tax.

3. DETERMINING WHETHER A MOBILEHOME IS SUBJECT TO THE PROPERTY TAX OR VEHICLE LICENSE FEE

- New mobilehomes installed on a permanent foundation system are considered a fixture improvement to the underlying real property and are taxed in the same manner as conventional housing (See Chapter 4 of this Reference Book for a description of the Local Property Tax.)
- New mobilehomes sold prior to July 1, 1980 and installed on a nonpermanent foundation system are subject to VLF. (See Chapter 3F of this Reference Book for a description of the VLF.)
- New mobilehomes sold on or after July 1, 1980 and installed on a nonpermanent foundation system are classified as personal property, but special provisions in the law essentially treat mobilehomes the same as real

property.

- Used mobilehomes that are sold are taxed under the tax system that applied to the home before the sale.
- Owners of pre-July 1, 1980, mobilehomes subject to VLF continue to be taxed that way, unless the owner chooses to transfer the mobilehome to the property tax roll.
- Owners of pre-July 1, 1980, mobilehomes subject to VLF that are located in a mobilehome park converted or proposed to be converted to a resident-owned subdivision, cooperative, condominium, or nonprofit corporation may choose to transfer the mobilehome to the property tax roll.
- Mobilehomes subject to 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, with delinquent taxes and fees included in the property tax bill.
- Mobilehome accessories (e.g., skirting, awnings, etc.) are also subject either to the property tax or the vehicle license fee.
- Accessories purchased as part of the mobilehome package prior to 1977 are subject to VLF. Generally, accessories purchased after July 1, 1980, are subject to the property tax when they are affixed to a mobilehome placed on a permanent foundation or affixed directly to real property. Accessories purchased between 1970 and 1980 are subject to one or the other of those two taxes, but not both.

4. HOW THE PROPERTY TAX APPLIES TO MOBILEHOMES

Mobilehomes subject to property tax are entered on the secured roll by the county assessor and are eligible for the homeowners' exemption. Where the resident owns both the mobilehome and the underlying land, a single property tax bill for land and improvements is issued. The mobilehome owner is also eligible for property tax relief available to other homeowners, such as Property Tax Assistance or Property Tax Postponement. (See Chapter 4 of this Reference Book for a description of the secured roll, Chapter 6E for a discussion of the Homeowners' Exemption, Chapter 6B for a description of the Senior Citizens Property Tax Assistance Program, and Chapter 6C for a description of the Senior Citizens Property Tax Postponement Program.)

Often, an occupant of a mobilehome will own the mobilehome but lease or rent the underlying land. In that case, the land is separately assessed to the mobilehome park owner. The homeowner may claim the homeowners' exemption in this situation.

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The general rules established by Proposition 13 regarding property tax rates and valuation apply to mobilehomes subject to property tax (see Chapter 4). If the fair market value of the mobilehome declines below the adjusted base year value, the assessor will reassess the mobilehome downward under the decline in value provisions, as described in Chapter 4. Special rules also apply to disaster damage to mobilehomes.

5. HISTORY OF MOBILEHOME TAXATION

Prior to 1979, it was illegal to place a mobilehome on a permanent foundation, and mobilehomes were treated as vehicles for tax purposes. Thus, mobilehome owners paid an annual vehicle license fee set at 2% of market value that was depreciated each year according to a statutory schedule. Most of the VLF revenue at that time was allocated to cities, counties and schools by formula on the basis of population. Mobilehome owners renting space in mobilehome parks were eligible for the Renters' Credit and Senior Citizens Renter Assistance, but were not eligible for the homeowners' exemption or the Senior Citizens Property Tax Assistance and Postponement Programs.

After major mobilehome taxation legislation passed in 1979 and 1980, most existing mobilehomes continued to be taxed basically as they had been. These homes remained subject to VLF, which has provided them with considerable reductions in their tax liabilities as the state has enacted several VLF rate reductions.

However, mobilehomes purchased new after July 1980 and occupied as residences are now treated very much like conventional homes with respect to property tax liability. Over time, most mobilehomes occupied as residences will be subject to local property taxation rather than VLF.

6. COMPARISON OF TAXATION OF CONVENTIONAL HOUSING AND MOBILEHOMES

The purchaser of a conventional home does not pay sales tax on the purchase price of the home. Instead, the sales tax has been imposed during the construction of the home through building materials sold to the builder. The purchaser of a new mobilehome pays the sales tax on a portion of the retail price of the home, since the tax is based on 75% of the dealer's price (presumably less than the retail price). The purchaser of a used mobilehome subject to the property tax does not pay sales tax on the purchase.

For factory-built housing, only 40% of the cost to the buyer is subject to sales tax, which is intended to represent the portion attributable to materials.

Owners of both conventional homes and mobilehomes are eligible for various types of tax relief, including income tax deductions of home mortgage interest, the homeowner's property tax exemption, property tax assistance and postponement, etc.

Transfers of mobilehomes installed on non-permanent foundation systems are processed by the HCD and are not subject to any local government-imposed documentary transfer

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taxes. Transfers of mobilehomes installed on permanent foundations, which are considered to be an improvement to the real property to which they are attached, are handled at the local government level through the county recorder's offices. There may be fees assessed by local governments on these transfers.

7. ADMINISTRATION

The BOE administers the sales and use tax on mobilehomes, the local county assessor administers property taxation of mobilehomes, and HCD administers the VLF. Although most VLF on mobilehomes is collected by HCD, the Department of Motor Vehicles (DMV) still registers and collects VLF on occasional mobilehomes. Generally speaking, HCD is authorized to collect delinquent VLF, while local county assessors are authorized to collect delinquent property taxes. In a very small number of instances (i.e., VLF collected by DMV on occasional mobilehomes), Franchise Tax Board is authorized to collect delinquencies.

8. CODE

Health and Safety Code Sections 18000-18700

Revenue and Taxation Code Sections 5800 et. seq., 6012.2, 6012.7, 6012.8, 6012.9, 6276.1, 6379, and 10701 et seq.

For property tax purposes, both mobilehomes and conventional homes are subject to the same Proposition 13 valuation rules, as described above and in Chapter 4 of this Reference Book.

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