

**Amend Sections 5802, 5803, 5811, 5812, 5813, and 5831 of the Revenue and Taxation Code to clarify property tax laws relating to manufactured homes.**

**Source: Property Taxes Department and Legal Division**

While in the process of updating an Assessors' Handbook on manufactured homes, Board staff discovered code section references which require updating, general housekeeping changes, and issues which would benefit from clarification. The following suggestions are intended to conform and clarify various provisions in the property tax laws related to manufactured homes.

**Supplemental Assessments - Conversion to Property Tax.** Current Section 5802 of the Revenue and Taxation Code provides that when a manufactured home is converted from the Vehicle License Fee (VLF) to the local property tax (LPT), the base year value shall be the value on the first lien date following the conversion. Board staff believes that when a manufactured home is converted from VLF status to LPT status, the initial base year value is not subject to supplemental assessment. Some county assessors disagree with staff's position with respect to manufactured homes that change ownership immediately following the conversion. These assessors believe that the home becomes subject to county assessment jurisdiction at the time it is converted. Normally the seller converts the home from VLF to LPT, then sells the home. These particular assessors state that since the home was subject to local property tax as a result of the conversion, it is subject to supplemental assessment when it changes ownership. The current law is not sufficiently clear.

The suggested amendments to Section 5802 would provide that if there is a change in ownership following the conversion and before the first lien date of enrollment, the base year value shall be the value as of the date of the ownership change. The amendments would also specify that the initial base year value is not subject to supplemental assessment.

**Value Guides.** Existing Section 5803 provides that the full cash value of a manufactured home on rented or leased land does not include any value attributable to the particular site where the manufactured home is located. The section further provides that in determining the full cash value of a manufactured home on rented or leased land, the assessor shall consider sales prices listed in recognized value guides. An oversight exists in that Section 5803 does not reference the cost data (value guide) issued by the State Board of Equalization pursuant to Section 401.5. The Board annually issues cost factors for manufactured homes in Assessors' Handbook Section 531, *Residential Building Costs*. In practice, many county assessors are using the cost factors issued by the Board to ensure compliance with the provisions of Section 5803.

This proposal would clarify Section 5803 by adding a reference to the provisions of Section 401.5. Additionally, this proposal would correct the title of the publication issued by the National Automobile Dealers Association (NADA).

**Code Reference Correction – Tax Rate.** Current Section 5811 provides that the appropriate tax rate shall be applied to the taxable value of a manufactured home in accordance with Section 2237. In 1981 (Stats. 1980, Ch. 1256) Section 2237 was repealed.

This proposal would amend Section 5811 to reflect the 1981 amendments to Section 2237.

**Supplemental Assessments - Change in Ownership or New Construction.** Current Section 5812 should contain provisions relating to supplemental assessment. In 1983 (Stats. 1983, Ch. 498) the Legislature added provisions for supplemental assessments so that reappraisal and reassessment would occur as of the date of a change in ownership or completion of new construction rather than waiting until the next lien date.

This proposal would amend Section 5812 to add the specific authority to issue a supplemental assessment pursuant to Section 75.5.

**Code Reference Correction – Inflation Factor.** Existing Section 5813 provides that the taxable value for a manufactured home shall include an inflation factor as determined by the percentage change in the cost of living according to the California Consumer Price Index. In January 1985 (Stats. 1984, Ch. 1164) the provisions for determining the inflation factor were placed in Section 51.

This proposal would amend Section 5813 to reflect the 1985 amendments to Section 51.

**Code Reference Correction – VLF Delinquency.** Current Section 5831 provides that when a manufactured home is to be placed on the local roll because the manufactured home's license fee has become delinquent for 120 days or more, the assessor must notify the assessee and legal owner of the home's taxable value. In 1985 (Stats. 1984, Ch. 1760) Section 5812 was amended to repeal the provision whereby a manufactured home with delinquent license fees automatically becomes subject to property taxation.

This proposal would amend Section 5831 to reflect the 1985 amendments to Section 5812.

*Section 5802 of the Revenue and Taxation Code is amended to read:*

5802. (a) Except as provided in subdivisions (b), ~~and (c)~~, and (d), "base year value" as used in this part means the full cash value of a manufactured home on the date the manufactured home is purchased or changes ownership. If the manufactured home undergoes any new construction after it is purchased or changes ownership, the base year value of the new

construction is its full cash value on the date on which the new construction is completed, and if uncompleted, on the lien date.

(b) The base year value of a manufactured home for which the license fee is delinquent shall be its full cash value on the lien date for the fiscal year in which it is first enrolled.

(c) The base year value of a manufactured home converted pursuant to Section 18119 of the Health and Safety Code from taxation under Part 5 (commencing with Section 10701) of Division 2 to taxation under this part shall be its full cash value on the lien date for the fiscal year in which that manufactured home is first enrolled. A manufactured home that has been converted is not subject to supplemental assessment pursuant to Section 75.5 by reason of such conversion.

(d) The base year value of a manufactured home that changes ownership in the same calendar year after a conversion in the same calendar year, shall be its full cash value on the date of the change in ownership and its value shall be enrolled on the next lien date. Such change in ownership is not subject to supplemental assessment as provided in Section 75.5.

(e) This section shall become operative on January 1, 1999.

*Section 5803 of the Revenue and Taxation Code is amended to read:*

5803. (a) "Full cash value" means the "full cash value" or the "fair market value," as determined pursuant to Section 110, of a manufactured home similarly equipped and installed, including any value attributable to a manufactured home accessory building or structure as defined in Section 18008.5 of the Health and Safety Code which is sold along with the manufactured home, giving recognition, however, to the exemption provided in subdivision (m) of Section 3 of Article XIII of the Constitution.

(b) The Legislature finds and declares that, because owners of manufactured homes subject to property taxation on rented or leased land do not own the land on which the manufactured home is located and are subject to having the manufactured home removed upon termination of tenancy, "full cash value" for purposes of subdivision (a) does not include any value attributable to the particular site where the manufactured home is located on rented or leased land which would make the sale price of the manufactured home at that location different from its price at some other location on rented or leased land. In determining the "full cash value" of such a manufactured home on rented or leased land, the assessor shall take into consideration, among other relevant factors, cost data issued pursuant to Section 401.5 or sales prices listed in recognized value guides for manufactured homes, including, but not limited to, the Kelly Kelley Blue Book Official Manufactured Housing and Mobilehome Guide and the National Automobile Dealer Dealers Association's Mobilehome Manufactured Housing Appraisal Guide.

*Section 5811 of the Revenue and Taxation Code is amended to read:*

5811. The amount of local property tax on a manufactured home shall be determined by applying the appropriate assessment ratio and tax rate to the taxable value of the manufactured home. The "appropriate tax rate" is the rate determined under Section ~~2237~~ 93 for the tax rate area in which the manufactured home is situated.

*Section 5812 of the Revenue and Taxation Code is amended to read:*

5812. (a) The base year value of a manufactured home which is purchased or which changed ownership shall be entered on the roll for the lien date next succeeding the date of the purchase or change in ownership. The value of any new construction shall be entered on the roll for the lien date next succeeding the date of completion of the new construction. The value of new construction in progress on the lien date shall be entered on the roll as of the lien date.

(b) Except as provided in subdivisions (c) and (d) of Section 5802, a manufactured home which has changed ownership or had new construction completed is subject to supplemental assessment as provided in Section 75.5.

*Section 5813 of the Revenue and Taxation Code is amended to read:*

5813. For each lien date after the lien date for which the base year value is determined, the taxable value of a manufactured home shall be the lesser of:

(a) Its base year value, compounded annually since the base year by an inflation factor, which shall be the percentage change in the cost of living, as defined in Section ~~2242~~ 51, provided, that any percentage increase shall not exceed 2 percent of the prior year's value; or

(b) Its full cash value, as defined in Section 5803, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value; or

(c) If the manufactured home is damaged or destroyed by disaster, misfortune, or calamity, its value determined pursuant to (b) shall be its base year value until the manufactured home is restored, repaired or reconstructed or other provisions of law require establishment of a new base year value.

*Section 5831 of the Revenue and Taxation Code is amended to read:*

5831. (a) Except as provided in subdivisions (e) and (f), the assessor shall, upon or prior to completion of the local roll:

~~(1) Notify~~ notify each assessee whose manufactured home's taxable value has increased of the taxable value of that manufactured home as it shall appear on the completed local roll; ~~and~~

~~(2) Notify each assessee whose mobile home is to be placed on the local roll pursuant to subdivision (b) of Section 5812 because its license fee has~~

~~become delinquent for 120 days or more of the taxable value of the manufactured home. The notification shall also be given to the legal owner, if any, of the manufactured home, at the same time it is given to the assessee.~~

(b) The information given by the assessor to the assessee and legal owner, as applicable, pursuant to ~~paragraph (1) or (2)~~ of subdivision (a) shall include a notification of hearings by the county board of equalization or assessment appeals board, which shall include the period during which assessment protests will be accepted and the place where they may be filed. The information shall also include an explanation of the stipulation procedure set forth in Section 1607 and the manner in which the assessee may request use of this procedure.

~~(c) The information shall also include the full cash value of the property.~~

(c) ~~(d)~~ The information shall be furnished by the assessor to the assessee personally or by regular United States mail directed to him or her at ~~his~~ the latest address known to the assessor.

(d) ~~(e)~~ Neither the failure of the assessee to receive the information nor the failure of the assessor to so inform the assessee shall in any way affect the validity of any assessment or the validity of any taxes levied pursuant thereto.

(e) ~~(f)~~ This section shall not apply to annual increases in the valuation of property which reflect the inflation rate, not to exceed 2 percent, pursuant to Section 5813.

(f) ~~(g)~~ This section does not apply to increases in assessed value caused solely by changes in the assessment ratio provided for in Section 401.