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House Bill 4880 (Substitute H-9 as passed by the House)
House Bill 5884 (Substitute H-2 as passed by the House)
Sponsor: Representative Randy Richardville
House Committee: Commerce (H.B. 4880)
Local Government and Urban Policy (H.B. 5884)
Senate Committee: Finance

Date Completed: 11-10-04

CONTENT

House Bill 4880 (H-9) would create the "Manufactured Housing Specific Tax Act" to levy a new tax on qualified manufactured housing property beginning at a rate of \$54 per year in 2005 and increasing annually until it reached \$140 in 2010; and would repeal the existing \$36-a-year specific tax on manufactured housing.

House Bill 5844 (H-2) would amend the Income Tax Act to include the manufactured housing specific tax proposed by House Bill 4880 (H-9) in the calculation of the homestead property tax credit. The bill is tie-barred to House Bill 4880.

House Bill 4880 (H-9)

Under the bill, beginning December 31, 2004, each licensee would have to collect and remit the State specific tax levied under the proposed Act, which would be a tax upon the owner or occupant of qualified manufactured housing property. The State specific tax levied in each year would be as follows:

- \$4.50 per month in 2005.
- \$6 per month in 2006.
- \$7.50 per month in 2007.
- \$9 per month in 2008.
- \$10.50 per month in 2009.
- \$12 per month in 2010 and each year thereafter.

"Licensee" would be defined as the owner of a licensed mobile home park or a licensed campground. "Qualified manufactured housing property" would mean a manufactured home located in a licensed mobile home park or campground. Qualified manufactured housing property would include appurtenant structures to a manufactured home, including garages, sheds, patios, decks, porches, steps, and sidewalks.

Each licensee would have to remit the State specific tax to the treasurer of the local tax collecting unit in which the licensed mobile home park or campground was located, by the fifth day of each month for the immediately preceding month. The treasurer would have to accept, verify, and disburse the State specific tax collected under the Act in the following manner:

- To the State School Aid Fund: \$12 from the July levy and \$12 from the December levy.

- To the local school district in which the manufactured home was located: \$6 from the July levy and \$6 from the December levy in 2005; \$12 from each levy in 2006; \$18 in 2007; \$24 in 2008; \$30 in 2009; and \$36 in 2010.
- To the local unit of government in which the manufactured home was located: \$4.50 from both the July and December levies in 2005; \$6 from both levies in 2006; \$7.50 in 2007; \$9 in 2008; \$10.50 in 2009; and \$12 in 2010.
- To the county in which the manufactured home was located: \$4.50 from both the July and December levies in 2005; \$6 from both levies in 2006; \$7.50 in 2007; \$9 in 2008; \$10.50 in 2009; and \$12 in 2010.

The amount of the State specific tax distributed to the local school district would have to be used by the district for nonoperating purposes only.

If a licensed mobile home park or licensed campground were located in more than one local tax collecting unit, the park or campground would have to be considered a separate licensed mobile home park or campground for each local tax collecting unit in which it was located. The State specific tax accruing to a local tax collecting unit in which the park or campground was located would have to be paid to each local tax collecting unit on the basis of the qualified manufactured housing property in each local tax collecting unit.

A licensee could add to the charges for qualified manufactured housing property in the licensed mobile home park or campground an amount equal to the specific tax collected and remitted for that property.

The bill would take effect on December 31, 2004, and would repeal Public Act 243 of 1959 (which provides for the collection of a specific tax of \$3 per month from the owners of mobile homes) on that date. The bill is tie-barred to House Bill 4111 (which would make complementary changes to the General Property Tax Act).

House Bill 5844 (H-2)

Under the Income Tax Act, a mobile home or trailer coach in a trailer coach park is a homestead, and the site rent for space is considered the rent of a homestead, for the purpose of the homestead property tax credit. The Act also states that the specific tax levied on mobile homes and trailer coaches under Public Act 243 of 1959 is considered a property tax. Under the bill, the Michigan manufactured housing specific tax (proposed by House Bill 4880) also would be considered a property tax.

(Under the Income Tax Act, the owners of manufactured housing receive a homestead tax credit for the property tax they pay and 20% of their lot rent.)

MCL 206.508

Legislative Analyst: J.P. Finet

FISCAL IMPACT

These bills would generate an estimated \$2.8 million in net new revenue in 2005 and \$17.8 million by 2010, as shown in Table 1. The proposed distribution of this tax is depicted in Table 2. Based on the proposed distribution of this new State tax, local governments and schools would realize a net increase in revenue. The State School Aid Fund (SAF) would not realize any additional revenue from this change, but the additional revenue that would be received by local school districts would reduce the amount the State School Aid Fund would have to pay school districts in order to fully fund their per pupil foundation allowance. The State's General Fund would realize a slight net reduction in revenue due to higher property tax credits.

Table 1

ESTMATED FISCAL IMPACT OF HB 4880 (H-9) AND HB 5844 (H-2)						
(dollars in millions)						
	2005	2006	2007	2008	2009	2010
Proposed Tax Change:						
Repeal of Current \$3 Monthly Tax	(\$5.6)	(\$5.7)	(\$5.7)	(\$5.8)	(\$5.8)	(\$5.9)
Proposed New Specific Tax	8.5	11.4	14.3	17.3	20.3	23.4
Property Tax Credit	<u>(0.3)</u>	<u>(0.6)</u>	<u>(0.9)</u>	<u>(1.2)</u>	<u>(1.5)</u>	<u>(1.8)</u>
Net Revenue Impact:	\$2.5	\$5.1	\$7.7	\$10.3	\$13.0	\$15.8
Revenue Impact on Governments/Funds:						
Local Governments	\$0.9	\$1.9	\$2.9	\$3.8	\$4.8	\$5.9
School Districts	1.9	3.8	5.7	7.7	9.7	11.7
School Aid Fund	0.0	0.0	(0.0)	0.0	0.0	0.0
General Fund	<u>(0.3)</u>	<u>(0.6)</u>	<u>(0.9)</u>	<u>(1.2)</u>	<u>(1.5)</u>	<u>(1.8)</u>
Net Revenue Impact:	\$2.5	\$5.1	\$7.7	\$10.3	\$13.0	\$15.8

Table 2

Proposed State Specific Tax on Manufactured Homes in Trailer Parks, and Its Distribution, as Proposed by HB 4880 (H-9)						
	Tax Level		Distribution of Annual Tax			
	Monthly	Annual	SAF	County	CVTs ¹⁾	School Dist.
Current Law	\$3.00	\$36.00	\$24.00	\$6.00	\$6.00	\$0.00
Proposed ²⁾						
2005	4.50	54.00	24.00	9.00	9.00	12.00
2006	6.00	72.00	24.00	12.00	12.00	24.00
2007	7.50	90.00	24.00	15.00	15.00	36.00
2008	9.00	108.00	24.00	18.00	18.00	48.00
2009	10.50	126.00	24.00	21.00	21.00	60.00
2010	12.00	144.00	24.00	24.00	24.00	72.00

¹⁾ Cities, Villages, and Townships.

²⁾ Under the proposal, the tax would be paid monthly to the local government treasurer, who then would distribute half of it as part of the July property tax collection, and half as part of the December property tax collection.

Fiscal Analyst: Jay Wortley