

SUBJECT: Assessing values of manufactured housing inventories

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 7 ayes — Craddick, Ramsay, Grusendorf, Heflin, Horn, Telford, Williamson
0 nays
4 absent — Holzheuser, Stiles, Oliveira, Thompson

WITNESSES: For — Sam W. Russell, Texas Manufactured Housing Association
Against — None

BACKGROUND : The Property Tax Code provides for appraising manufactured housing inventories for property tax purposes on January 1 of each year based on the market value (i.e., retail sales price) of the manufactured homes on a dealer's lot on that day.

DIGEST: CSHB 2606 would revise the way in which manufactured housing dealers calculate the value of their inventory for tax purposes. The annual market value of retail manufactured housing inventory would be figured on January 1 as total annual sales, minus resale of repossessed homes and homes sold to other dealers, for the preceding year divided by 12. Market value for a manufactured housing dealer operating less than the full year would be extrapolated from monthly sales data.

CSHB 2606 would allow the chief tax appraiser to examine books and records of dealers. Dealers would be required to file a inventory declaration form with the tax appraiser by February 1 of each year. Failure to file the form would be punishable by a fine not to exceed \$500 for each day the form was not filed after the February 1 deadline and \$1,000 for each month or part of a month that the form was not filed.

Dealers would be required to prepay their property taxes monthly. By the tenth of each month, the dealer would have to deposit with the county tax assessor-collector a sum equal to the total of tax liability based on the

number of manufactured homes sold, minus resale of repossessed homes and homes to other dealers in the previous month. Failure to remit payment within 10 days after the due date would incur a penalty of 5 percent of the amount due. The penalty would increase by an additional 5 percent after 10 days. The county attorney would enforce these provisions. Penalties would go into the county's general fund.

Dealers would be required to file a retail manufactured housing inventory statement each month with the county tax assessor-collector. Failure to file the statement by the tenth day of each month would incur a penalty of \$100 a day and \$500 for each month the statement was not filed. The retail dealer would have to keep records of every manufactured home sold.

The tax assessor-collector would deposit the money in an escrow account maintained in the county depository. The assessor would not have to maintain a separate escrow account for each retail dealer, but would have to keep separate records. The interest generated by the escrow account would be retained by the assessor to defray administration costs.

If the amount in escrow was insufficient to pay taxes due, then the tax assessor-collector would be required to give the dealer a tax bill for the difference between the amount owed and the amount in escrow.

Inventory appraisals for manufactured housing dealers who sell primarily to other dealers would be based on the market value of the home in their possession on January 1 of each year.

The bill would take effect January 1, 1998 and would apply only to a tax year beginning on that date.

**SUPPORTERS
SAY:**

CSHB 2606 would allow retail manufactured home dealers to more easily predict and pay inventory property taxes. Dealers would be required to pay their property taxes based on the number of manufactured homes sold in the previous month on a monthly basis. This method of assessing manufactured housing inventory would more accurately reflect inventory than the present method that just counts of the number of homes on the lot on January 1 of each year. Dealers can easily manipulate the amount of inventory for one day a year, but under CSHB 2606 the assessment would be based on

inventory turnover during the previous year and calculated throughout the year.

The bill would require strict reporting statements and monthly payments based on the previous month's sales, which would provide more accountability and security in tax collection.

Automobile dealers have been using this method of assessing their inventory property tax liability since January 1, 1994, without any problems or complaints from tax assessors or taxing units. The Legislature allowed boat dealers to use this method in 1995.

**OPPONENTS
SAY:**

The idea of using monthly sales in lieu of a one-day inventory snapshot has merit, but unless the a dealer turns over inventory every month, it could have the effect of reducing property taxes collected on manufactured homes. Further, the bill could cause a change in school district taxable values reported to the commissioner of education by the comptroller. A reduction in school district taxable value could increase the state's cost of public education based on current funding formulas.

**OTHER
OPPONENTS
SAY:**

Inventories are not assets but liabilities, and inventory taxes are regressive. Many state have already eliminated them, and Texas should also.

NOTES:

The committee substitute made various technical changes.