

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3840-04  
Bill No.: HCS for HB 1584  
Subject: Manufactured Housing; Revenue Dept.; Property, Real and Personal; Liens  
Type: Original  
Date: March 30, 2010

Bill Summary: Would modify several provisions pertaining to manufactured homes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	Less than \$100,000	Less than \$100,000	Less than \$100,000
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Less than \$100,000</b>	<b>Less than \$100,000</b>	<b>Less than \$100,000</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of State Courts Administrator**, the **Department of Economic Development**, **Office of Public Counsel and Public Service Commission**, the **Department of Elementary and Secondary Education**, the **State Tax Commission**, **St. Louis County**, the **City of Centralia**, and **Parkway School District** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** assumed a previous version of this proposal would have no fiscal impact on their organization.

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume the proposed legislation would not result in additional costs or savings to their organization. BAP defers to the Department of Revenue for statewide impact.

The proposal would revise the process by which manufactured homes may be converted, for taxation purposes, from personal property to real property, and then to be reconverted to personal property.

ASSUMPTION (continued)

According to the State Tax Commission, all manufactured homes used as dwellings are to be assessed the same rates as residential property, 19%. It is possible that assessors are currently incorrectly assessing manufactured at the motor vehicle assessed rate of 33.3%. If this is the case, the proposal could cause more owners to convert their properties, leading to lower assessments. That could affect the Blind Pension Fund and local tax revenues.

The proposed procedures for modifying manufactured homes to real property includes filing fees paid to the Department of Revenue but the current procedure does not require any fees. While there is no estimate of the amount of new revenue which would be generated from these new fees, it is expected to be small. Those fees would increase Total State Revenues and revenues under Article X, Section 18(e) of the Missouri Constitution.

Officials from the **Department of Revenue** (DOR) assume the requirements of the new provisions would require individuals to file an affidavit of affixation with the DOR after properly completing all requirements to record such affidavit with the county recorder in the county where the property is located. In the event that there is not a current certificate of title or a manufacturer's certificate of origin on the manufactured home, the individual would be required to obtain a "confirmation of conversion" from DOR.

Upon severance or detachment of the manufactured home from the real property, the owner of a manufactured home which was previously conveyed as real property through the affidavit of affixation process would be required to obtain an affidavit of severance from the county recorder and provide a certified filed copy to DOR. Upon receipt of a properly filed affidavit of severance, the director of revenue would issue a certificate of title.

The only administrative impact to DOR is the recognition that these documents would ultimately be presented for processing. DOR has included its estimate of administrative impact in its estimate of processing costs.

Sections 700.111 & 700.320

DOR officials would be required to make significant modifications to its computer systems to administer the requirements for filing and recording affidavits of affixation, affidavits of severance, and confirmation of conversion documents. An estimate of costs for modifications to the department's computer systems will be provided by the Motor Vehicle Information Technology Group within the Office of Administration.

## ASSUMPTION (continued)

### Forms

Assuming the affidavits of affixation and severance and confirmation of conversion documents are to be single source forms created with consistent information, DOR would incur costs for forms management/administration.

DOR assumes the forms would be web based, and stock forms would not be printed. Customers without internet access can request the forms from the central office or obtain a form from their local license office which would be printed from the DOR forms website.

DOR estimates 40 hours per form for development and updating the website. This proposal identifies three forms which would require that level of effort:

- Affidavit of Affixation
- Affidavit of Severance
- Confirmation of Conversion

The form development process would be completed by a Management Analyst I. Estimated form development and update costs are ( 40 hours per form x 3 forms) = 120 hours. And (120 hours @ \$20.13.hour) = \$2,416.

**Oversight** assumes DOR is provided with core funding to handle a certain amount of activity each year, and that DOR could absorb the forms development costs for this proposal. If multiple proposals pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

### Document Imaging

DOR would incur minor additional costs associated with imaging affidavits of affixation and severance, confirmation of conversion documents, applications for surrender of the manufacturer's certificate of origin, and applications for surrender of a certificate of title. These costs are not anticipated to exceed \$500 annually.

ASSUMPTION (continued)

§700.527- Abandoned Manufactured Home

An abandoned manufactured home title process does not currently exist within the Department of Revenue. Real property owners are currently required to obtain a declaratory judgment in order to obtain a certificate of ownership for a manufactured home that has been abandoned on their property. DOR would incur costs to process applications for abandoned manufactured home certificates of ownership.

Forms

The abandoned manufactured home requirement within this proposal would require the creation of a manufactured home title application. The information required for this application differs significantly from data collected on other types of titles. DOR would create new a form to administer the application process for abandoned manufactured homes. In addition, this proposal would require the abandoned manufactured home title applicant to certify that numerous provisions in this proposal have been satisfied at the time of application for the title. DOR would be required to create a new form for this certification process.

DOR assumes that all forms would be web based and stock forms would not be printed. Customers without internet access can request the forms from the central office or obtain a form from their local license office which would be printed from the DOR forms website.

DOR estimates 40 hours per form for form development and updating to the website per form. The department has identified two forms that would require this level of effort:

- \* Abandoned Manufactured Home Lien Title Application
- \* Manufactured Home Lien Title Certification Statement

The form development process would be completed by a Management Analyst I. Total form development and update costs are ( 40 hours per form x 2 forms) = 80 hours and (80 hours @ \$20.13.hour) = \$1,610.

ASSUMPTION (continued)

**Oversight** assumes DOR is provided with core funding to handle a certain amount of activity each year, and could absorb the costs related to this proposal. If multiple proposals pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Processing

DOR assumes a process would be created to ensure that technical requirements have been met prior to issuance of a title (i.e. notifications to all manufactured home owners, notifications to lien holders, verification of mandated postal requirements, verification of specific affidavit information, etc). Therefore, DOR would process title applications through the central office similar to abandoned motor vehicle title applications.

DOR records indicate that there are 240,000 manufactured homes titled in Missouri, and estimates that 2.5% of these (6,000) are abandoned annually. Staffing costs are calculated as follows:

Estimated abandoned manufactured homes annually	6,000
Working days per year	260
Abandoned title applications per day	23
Minutes (processing expectation for 1 transaction)	22
Daily processing time	506
Working minutes per day	450
FTE Required - Revenue Processing Tech I	1.2

DOR would require associated equipment and expenses for this new FTE. DOR also assumes \$2,640 in annual postage costs.

**Oversight** notes that in response to the same proposed legislation from last year (SB 235), DOR assumed that associated costs for this section would be minimal and could be absorbed. Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year and could absorb the costs related to this proposal. If unanticipated additional costs are incurred DOR could request funding through the appropriation process.

ASSUMPTION (continued)

§700.529 - Abandoned Manufactured Home with Perfected Lien

This section provides a process by which a real property owner could place a lien on a manufactured home which has a perfected lien already placed upon its certificate of ownership. When that lien has been properly filed, DOR would be prohibited from issuing a repossession title to the perfected lienholder. It is assumed that the lien filed by the real property owner would be filed in the circuit court of the county in which the abandoned manufactured home is located, since there are no provisions for filing such lien with DOR in this section. Based on these assumptions, DOR does not anticipate any fiscal impact associated with this section.

DOR officials also provided an estimate of the IT cost to implement the proposal of \$26,712 based on 1,008 hours of programming time.

**Oversight** assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

REVENUE IMPACT

Affidavits of Affixation and Severance Processing

DOR has discussed the potential volume of applicants who would request that their manufactured homes be converted to real property with the Missouri Banker's Association (MBA). MBA did not have an estimate of the potential market for such transactions.



ASSUMPTION (continued)

In order to determine a revenue impact for potential transaction fees for affidavits of affixation and severance, DOR estimated that owners of 10% of titled manufactured homes would convert the manufactured home to real property through the processes outlined in this proposal. Owners would be charged \$8.50 for each application for surrender, equal to the current title fee applied for similar types of transactions.

240,000	Number of manufactured homes currently titled
<u>x 10%</u>	Estimated number of conversions annually
24,000	Annual conversions
<u>x \$8.50</u>	Transaction Cost for Application for Surrender
<u>\$204,000</u>	Annual General Revenue Collection

DOR officials provided an estimate of revenue for this proposal which indicated four months of activity and total revenues of \$68,000.

**Oversight** notes that the DOR estimate appears to be based on the proposed March 1, 2011 deadline for implementing the proposal. Estimated FY 2011 revenue for ten months would be \$170,000.

In response to a similar proposal, officials from the **Department of Transportation** (MoDOT) stated that MoDOT issued 10,531 permits to transport mobile and modular homes or home sections in 2009. However, because MoDOT also issues annual blanket permits that allow carriers to move an unlimited number of times throughout the year, it is impossible to provide the actual number of manufactured homes that were moved during this period.

Many of the homes moved today are sectional homes and a permit is required for each section, not each home. The annual blanket permit can be used repeatedly throughout the year for homes or sections that do not exceed 12'4" wide, 150' overall length (including power unit) and legal height (13'6" or 14'0", depending on where they're moving in the state).

**Oversight** assumes that if 50% of the permits issued (5,266) were to move manufactured homes as a result of conversion transactions, the annual revenue for Applications for Surrender would be \$44,761. For fiscal note purposes only, Oversight assumes the estimated impact on General Revenue would be less than \$100,000.

ASSUMPTION (continued)

Local Revenue Impact

Officials from the **Department of Revenue** were not able to provide estimates concerning local revenue impact. As noted above, the State Tax Commission requires mobile homes to be assessed as real property at 19% of appraised value, rather than the 33% rate provided for personal property.

**Oversight** assumes that only a minimal number of mobile homes would be incorrectly assessed at the personal property rate and that there would be no fiscal impact to local governments or to the Blind Pension Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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**GENERAL REVENUE FUND**

<u>Income - Department of Revenue</u> Conversion fees	Less than \$100,000	Less than \$100,000	Less than \$100,000
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>Less than</u></b> <b><u>\$100,000</u></b>	<b><u>Less than</u></b> <b><u>\$100,000</u></b>	<b><u>Less than</u></b> <b><u>\$100,000</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses involved in sales, rental, and financing of mobile homes.

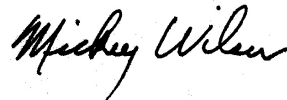
### FISCAL DESCRIPTION

This proposal would allow for the conversion of manufactured homes from personal property to real property and the reconversion of manufactured homes from real property to personal property. In addition, this proposal would change certain provisions related to title and lien procedures for manufactured homes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of State Courts Administrator  
Office of the Secretary of State  
Office of Administration  
    Division of Budget and planning  
Department of Economic Development  
    Office of Public Counsel  
    Public Service Commission  
Department of Elementary and Secondary Education  
Department of Insurance, Financial Institutions, and Professional Registration  
Department of Revenue  
State Tax Commission  
St. Louis County  
City of Centralia  
Parkway School District



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