

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3142-05
Bill No.: SCS for SB 630
Subject: Manufactured Housing; Revenue Department; Property, Real and Personal; Liens; Mortgages and Deeds; Banks and Financial Institutions
Type: Original
Date: February 19, 2010

Bill Summary: This proposal modifies various provisions pertaining to manufactured homes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	Unknown - Not expected to exceed \$100,000	Unknown - Not expected to exceed \$100,000	Unknown - Not expected to exceed \$100,000
Total Estimated Net Effect on General Revenue Fund	Unknown - Not expected to exceed \$100,000	Unknown - Not expected to exceed \$100,000	Unknown - Not expected to exceed \$100,000

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

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

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

- 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).

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

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Insurance, Financial Institutions and Professional Registration** and the **State Tax Commission** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** state this proposal will have no fiscal impact on their respective divisions.

Officials from the **Department of Elementary and Secondary Schools (DESE)** assume that, other than the potential impact on the state's revenue stream, this proposal does not affect DESE or local schools.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. 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 the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

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

The proposed procedures by which manufactured homes may be converted from personal property to real property will increase Total State Revenues and revenues under Article X, Section 18(e) of the Missouri Constitution. This is because the current procedure for modifying a manufactured home from personal property to real property (§700.111.1) does not require any fees. The new procedure for modifying manufactured homes to real property (§ 700.111) includes filing fees paid to the Department of Revenue. There are not expected to be a large number of applications for conversion of manufactured homes to personal property. While there is no estimate of the amount of new revenue which will be generated from these new fees, it is

ASSUMPTION (continued)

expected to be small.

BAP officials state that, according to the **State Tax Commission**, all manufactured homes used as dwellings are to be assessed the same rates as residential property which is 19% (§137.115.6). It is possible that assessors are currently incorrectly assessing manufactured homes not converted to real property at the motor vehicle assessed rate of 33.3%. If this is the case, this proposal's guidelines for converting manufactured homes to real property could cause more owners to convert their properties, leading to lower assessments and could affect the Blind Pension Fund and local tax revenues.

In further discussion with the **State Tax Commission**, officials verified that manufactured homes are assessed at the real property rate of 19%, no matter where located and that all county assessors are aware of the rate of assessment. Officials from the Missouri Tax Commission assume the language in the proposal is clarifying in nature. For fiscal note purposes only, **Oversight** will assume no loss in revenue to Counties or Blind Pension Fund.

§442.015

According to officials from the **Department of Revenue (DOR)**, the requirements of the new provisions in section §442.015 will require individuals to file an affidavit of affixation with the DOR after properly completing all requirements to record such affidavits with the county recorder within 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 must obtain a "confirmation of conversion" from DOR. The administrative impact from this requirement is outlined in costs for §700.111.

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 shall obtain an affidavit of severance from county recorder and provide a certified filed copy of such to DOR. Upon receipt of a properly filed affidavit of severance, the director of revenue shall issue a certificate of title.

The only administrative impact to DOR is identified in §442.015 is the recognition that these documents will ultimately be presented for processing pursuant to §700.111. Therefore, no administrative impact is expected from the provisions of §442.015.

ASSUMPTION (continued)

§700.111 & 700.320

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

Forms

Assuming the affidavits of affixation and severance and confirmation of conversion documents are to be single source forms created with consistent information as may be required for DOR to effectively administer the requirements of this proposal, DOR will incur the costs for forms management/administration.

DOR assumes all forms will be web based and no stock forms will be printed. Customers without internet access can request the forms from the central office or obtain a form from their local license office which will be printed from the DOR internet based forms site.

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

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

This process will be completed by a Management Analyst I. Total form development and update costs are: 40 hours per form x 3 forms = 120 hours @ \$20.13.hour = \$2,416

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

Document Imaging

DOR will incur minor additional costs associated with imaging affidavits of affixation and severance, confirmation of conversion documents, applications for surrender of the

ASSUMPTION (continued)

manufacturer's certificate of origin, and applications for surrender of a certificate of title (pursuant to §700.320.7 through §700.320.13). These costs are not anticipated to exceed \$500 annually.

§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 will incur costs associated with the processing of applications for abandoned manufactured home certificates of ownership.

Forms

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

DOR assumes all forms will be web based and no stock forms will be printed. Customers without internet access can request the forms from the central office or obtain a form from their local license office which will be printed from the DOR internet based forms site.

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

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

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

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. **Oversight** assumes DOR could absorb the costs related to this proposal. If multiple

ASSUMPTION (continued)

bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Processing

DOR assumes this will be a specialty process requiring DOR to ensure numerous technical requirements have been met prior to issuance of the 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 will process these 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. DOR estimates 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 will require associated equipment and expenses for this new FTE. DOR also assumes \$2,640 in annual postage costs.

In response to the same proposed legislation from last year (SB 235), DOR assumed costs associated with 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. **Oversight** assumes DOR could absorb the costs related to this proposal. If a significant number of abandoned lien title applications occur as a result this proposed legislation which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

§700.529 - Abandoned Manufactured Home with Perfected Lien

The provisions of this section identify the process by which a real property owner can place a lien on a manufactured home which has a perfected lien already placed upon its certificate of ownership. Under this section, the real property owner can file a lien after following the required

ASSUMPTION (continued)

provisions of this section. When the lien has been properly filed, DOR is prohibited from issuing a repossession title to the perfected lienholder. It is assumed that the lien filed by the real property owner, will be filed in the circuit court of the county in which the abandoned manufactured home is located as there are no provisions for the filing of such lien with the DOR contained within this section. Based on these assumptions, DOR does not anticipate any fiscal impact associated with this section.

OA-ITSD (DOR) In response to a proposal similar to or identical to this one in a previous session, the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's driver license systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$26,712 based on 1,008 FTE hours.

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 will request that their manufactured homes be converted to real property with the Missouri Banker's Association (MBA). MBA does not have any estimates of the potential market for such transactions.

In order to determine a revenue impact as a result of transactions fees collected by DOR when processing affidavits of affixation and severance, DOR is estimating that 10% of titled manufactured homes will convert the home to real property through the processes outlined in this proposal. These conversion transactions (application for surrender) will be charged \$8.50 per transaction (equal to the current title fee applied for similar types of transactions).

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

ASSUMPTION (continued)

FY 2011 revenue for ten months is estimated at \$170,000.

Officials from the **Department of Transportation (MoDOT)** state that MoDOT issued 10,531 permits to transport mobile and modular homes or home sections in 2009. However, because MoDOT issues annual blanket permits that allows carriers to move an unlimited number of times throughout the year in some instances, 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 Unknown - Not expected to exceed \$100,000.

Local Revenue Impact

The process of converting a manufactured home to real property will affect local government tax revenue due to the differing tax rates of personal property and real property. Personal property is taxed 33% of the property's assessed valuation, whereas real property is taxed at 19% of the property's assessed valuation. DOR is unable to provide estimates concerning local revenue impact. Based on information from the State Tax Commission, outlined above, **Oversight** assumes no fiscal impact on Counties or the Blind Pension Fund.

Officials from the cities of **Centralia** and **Kansas City**, as well as **St Louis County** and **Boone County**, assume this proposal will have no fiscal impact on their respective political subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
<u>Income</u> - Department of Revenue - Increased fees (§170.111)	Unknown - Not expected to exceed <u>\$100,000</u>	Unknown - Not expected to exceed <u>\$100,000</u>	Unknown - Not expected to exceed <u>\$100,000</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Unknown - Not expected to exceed \$100,000</u>	<u>Unknown - Not expected to exceed \$100,000</u>	<u>Unknown - Not expected to exceed \$100,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

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.

§700.111

The proposal establishes a process in which a manufactured home owner, who has permanently affixed his or her home to real estate, and has recorded an affidavit of affixation with the recorder of deeds, may surrender the manufacturer's certificate of origin or certificate of title to the

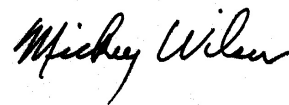
DESCRIPTION (continued)

manufactured home to the Director of Revenue. The manufactured home owner must fill out an application to surrender the certificate of origin or certificate of title. The proposal specifies what information the application must contain. If the director is satisfied with the surrender of a manufacturer's certificate of origin or certificate of title, the director shall cancel the certificate of origin or certificate of title and update the department's records. The proposal sets forth a similar process for applying for confirmation of conversion where an owner has permanently affixed a manufactured home to real estate, but does not possess a manufacturer's certificate of origin or a certificate of title.

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

Department of Economic Development
 Public Service Commission
 Office of Public Counsel
Office of Administration
 Division of Budget and Planning
Department of Revenue
Office of Secretary of State
 Administrative Rules Division
Department of Insurance, Financial Institutions and Professional Registration
Department of Elementary and Secondary Education
State Tax Commission
Cities
 Centralia
 Kansas City
Counties
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 Boone



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