



IMPORTANT MEMO

FEBRUARY 6, 2002

TO: MMHA RETAILERS AND PARK OWNERS

FROM: JENNIFER HALL

RE: NEW RULE 84 SALES TAX ON MANUFACTURED HOMES

Enclosed is the new ruling on how sales tax are to be collected on manufactured housing. After several meetings with the tax commission, this is what they are requiring. I will try to explain it and we are having a retailer fill out a sample return to help. However, I know you need to be working on your report for January and you need to file it according to the new regulations. Most of you have used the 3.4% and not separated out the 7% charges. You no longer can do that. A refrigerator is considered a free standing appliance and either has to be taxed at 7% or in the whole home package formula at 3.4%.

Example:

Items taxed at 3% can include:

Unfurnished home (no furniture or free standing appliances)

Set-up charges (explained in Rule 84)

Utility charges limited to: Connecting home to water meter and utility service pole.

Skirting

Steps

(NOTE: if furniture or free standing appliances are included then you must use 3.4% for total package or list them separately with the 7% items.)

Items taxed at 7% that need to be listed separately are as follows:

Installation of septic tanks

Installation of satellites

Fence

Deck

Electrician services

Plumber services

Site prep: This would include clearing of lot, grading, building a pad for home, building a road, work which would involve construction type equipment.

Free standing appliances (if you don't use 3.4% formula)

You are to give any subcontractor who handles the above 7% items your tax number and they should not charge you any taxes. You are to charge the customer the taxes and collect them in the final sale of the home. You should separate the taxed items (3%, 3.4% and 7%) on the sales agreement and on the tax forms submitted to the tax commission. If you have any questions, please call the office.

Rule 84 - Manufactured Housing

A Manufactured home (mobile home) is defined as a structure that is transportable in one or more sections and is built on a permanent chassis. A manufactured homes is designed for use as a dwelling or office with or without a permanent foundation when connected to required utilities. The sale or lease of manufactured homes is taxed at the reduced rate of 3%.

Items permanently attached to and becoming a component part of the manufactured home at the time of the sale are included in the purchase price that is taxable at 3%. Examples would be a built-in dishwasher and central heating and air conditioning. Furniture and freestanding appliances are taxable at the 7% rate of tax. The sales price of the freestanding furniture and appliances should be separately stated from the sales price of the manufactured home. Likewise the 7% sales tax should also be separately stated from the 3% sales tax.

The State Tax Commission prefers that each sale be broken down into the amount representing the sale of the home and the amount representing the sale of any freestanding appliance and furniture. If specific accounting is not practical, or if the selling price cannot be separated, a factor of 3.4% may be used on the total selling price. This would be in lieu of computing the 3% sales tax separately from the 7% sales tax. Sales of unfurnished manufactured homes remain taxable at 3%. *This formula is only applicable on the manufactured home and furniture/freestanding appliances. Any other costs that are charged by the dealer, such as site prep, septic tank installation, etc., must be taxed at the 7% rate and are not to be included in the selling price when using the composite 3.4% rate.*

Repairs, repair parts and sales of replacement tangible personal property are taxable at the 7% rate of tax.

Amounts included in the sale of a manufactured home for "set up charges" are taxed at the same rate as the manufactured home. These charges are limited to the site built supporting parts upon which the manufactured home is placed. This structure may be either constructed to encompass the perimeter of the home or in the form of piers. It includes all exterior materials required to physically screen or shield such supports. Utility connections would be included if not billed separately. This is limited to charges included by the seller to connect the home to the water meter, utility service pole, etc. These charges do not include any charges by an electrician, plumber or utility service provider to run the utilities to the home site.

Other charges such as, but not limited to the grading of the home site, installation of a septic tank system, running utilities or installing a satellite system are not defined as set up charges. *If the manufactured housing dealer provides these services to his customer, then the manufactured housing dealer is considered to be reselling such services and should provide his tax number to the contractor providing such services. The manufactured housing dealer is responsible for collecting and remitting 7% tax on all additional charges that are not "set up charges". These charges should not be included in the amount that is taxed at the composite 3.4% rate.*

On or after the effective date of this regulation (July 1, 2001), any taxpayer operating a new or used mobile home dealership shall be required to post a cash or surety bond prior to receiving a

Sales Tax Permit to engage in business. The amount of the bond shall be \$25,000 for a new mobile home dealer and \$10,000 for a used mobile home dealer, unless the taxpayer or Commissioner can show cause for another amount to be accepted.

Any manufactured home dealer who was issued a permit to engage in business prior to July 1, 2001 and who files delinquent tax returns for more than one period in a calendar year or who presents a check for payment of tax that is returned by the bank for insufficient funds, shall be required to post a bond equal to six months' tax liability. The six months' liability shall be determined by accumulating the past 12 months' liability (determined by returns filed or audit results) and dividing by 2.