

Approved On: _____

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 26, 1985 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

The committee discussed SB-152, an act amending the Kansas retailers' sales tax act; exempting sales of certain mobile homes.

Senator Allen testified as a proponent of SB-152 and asked that it be passed favorably.

Terry Humphrey, Executive Director Kansas Manufactured Housing Institute, spoke as a proponent of SB-152. (Attachment 1)

Robert Glasse, Chairman Legislative Committee of Kansas Manufactured Housing Institute, testified as a proponent. (Attachment 2)

Don Allison, president of Dick Allison Mobilehomes, spoke as a proponent of SB-152. (Attachment 3)

Don Christman, representing Wilcox Homes & R. V. Center also testified as a proponent of SB-152. (Attachment 4)

Mike Thomason, Representing Woodard Mobile Homes of Manhattan, testified on behalf of SB-152. (Attachment 5)


Gary Hoover, president of Specialized Service Co., of Wichita, testified as a proponent of SB-152. (Attachment 6)

Mike Newell, Kansas Regional Manager for Green Tree Acceptance, testified in support of SB-152. (Attachment 7)

Janet Stubbs testified that she does not oppose the bill, but she wanted to explain the taxes that were charged on stick built houses. This concluded the testimony on SB-152.

The minutes of March 25 were reviewed. There being no changes, they were approved as proposed.

There being no further business, the meeting was adjourned.



Ed C. Rolfs, Chairman



KANSAS MANUFACTURED HOUSING INSTITUTE
100 East Ninth Street • Suite 205 • Topeka, Kansas 66612 • (913) 357-5256

TESTIMONY BEFORE THE HOUSE

ASSESSMENT AND TAXATION COMMITTEE

March 26, 1985

TO: Representative Ed Rolfs, Chairman, Assessment and Taxation Committee
FROM: Terry Humphrey, Executive Director, Kansas Manufactured Housing Institute
SUBJ: In support of SB 152

Mr. Chairman and members of the committee, I am Terry Humphrey, Executive Director of Kansas Manufactured Housing Institute. Thank you for the opportunity to appear before you in support of Senate Bill 152.

The Kansas Manufactured Housing Institute is a trade association representing all facets of the manufactured housing industry, i.e. manufacturers (of which there are 14 within the state), retailers, park owners, suppliers, financial institutions, insurance companies, service companies and transport companies.

Senate Bill 152 has been proposed to change an inequitable application of the Kansas sales tax on manufactured housing. The manufactured home which is built on a steel frame with wheels and axles for transporting it to the home site, is commonly known as a mobile home. Currently, manufactured housing is subject to sales tax on the entire retail sales price of the home and on each subsequent sale thereafter; unless, it is placed on a permanent foundation and subsequently sold with land. This tax is in contrast to the tax applied to stick built housing which is only collected on construction materials used in building and never on subsequent sales.

When the sales tax was first imposed on manufactured housing, it was probably not considered inequitable. Mobile homes, or trailer houses, as they were called years ago, were many times temporary housing or auxiliary housing which was moved from place to place with some frequency. Today, manufactured homes are simply not temporary housing. Manufactured homes are permanent, economical and affordable homes for a great many young first time homebuyers and older citizens living on retirement income. Approximately 96% of all manufactured homes sold today remain on the same location that they were originally placed.

On March 13, 1985 the Kansas Senate passed Senate Bill 152 37-1, the bill now exempts pre-owned manufactured housing from state sales tax. Clearly, this bill in its present form does not remedy the complete problem for our industry and our consumer; however, it is indeed a step in the right direction.

In recent years, several studies have emphasized the need to eliminate roadblocks to home ownership of manufactured housing. These studies include:

- The President's Blue Ribbon Housing Commission Report
(April 22, 1982)
- The U.S. Savings and Loan League (position paper "Housing in the 80's")
- National Conference of State Legislatures (booklet on affordable housing).

Already several states have taken steps to eliminate roadblocks to manufactured housing; for example, Indiana, Arkansas, Texas, Georgia, Wisconsin, Minnesota and Colorado have enacted similar sales tax legislation.

In conclusion, I would like to remind the committee that the manufactured housing industry is NOT asking for special treatment, only for equal treatment with similar forms of housing. We urge your support of Senate Bill 152.



Kansas
DEPARTMENT OF REVENUE

State Office Building
Topeka, KS 66625

MEMORANDUM

January 7, 1985

TO: Harley T. Duncan...

FROM: Steve Stotts *Steve*

SUBJECT: Sales Tax Exemption on Mobile Homes

Ms. Terry Humphrey has asked me to compute a fiscal impact of exempting sales of used mobile homes from sales tax and reducing the sales tax rate on sales of new mobile homes to 1 1/2% from 3%.

The 1982 Census of Retail Trade reports that mobile home sales in Kansas for 1982 were \$53.7 million. This is a 1.4% increase from 1977, or about .3% growth per year. Using a .3% growth rate for each year, total sales in FY 86 would be \$54.3 million. Industry officials estimate that sales of used mobile homes comprise 25% of total mobile home sales. The following table shows the impact of exempting sales of used mobile homes and partially exempting new mobile homes.

<u>Exempting Sales of Used Mobile Homes</u>	
\$54,300,000	Total FY 86 Mobile Home Sales
x 25%	
<u>\$13,575,000</u>	
x .03	
\$ 407,250	Fiscal Impact

<u>Partial Exemption of New Mobile Homes</u>	
\$54,300,000	Total FY 86 Mobile Home Sales
x 75%	
<u>\$40,725,000</u>	
x .015	
\$ 610,875	Fiscal Impact

	<u>Fiscal Impact</u>
\$ 407,250	Used Mobile Home Sales
610,875	New Mobile Home Sales
<u>\$ 1,018,125</u>	

In FY 86 the general fund would be reduced about \$1.0 million, and there would also be a reduction in local sales tax revenue.

SAS:x/6035A

KANSAS ASSESSMENT TAXATION COMMITTEE

Mr. Chairman and Committee Members:

ROBERT E. (BOB) GLASSE

Chairman Legislative Committee of Kansas Manufactured Housing Institute 5 Years

In Mobile Home Business since October 1953

President Aetna Mobile Homes, Inc. Wichita, Kansas

President Silver Spur Development, Inc. Wichita, Kansas

Vice President and Stock Holder Classic Designs, Inc. Hutchinson, Kansas
(Modular Home Manufacturer)

Past President, Three Years, Kansas Manufactured Housing Institute

Kansas Voting Delegate, Assistant Treasurer, and Member of Executive Committee
National Manufactured Housing Federation Washington, D.C.

As mentioned in previous testimony, Senate Bill 152 as it reads today is not what Kansas Manufactured Housing Institute had asked for, and is certainly not fair and equal taxation for all people who purchase a manufactured house instead of a conventional dwelling.

We would hope that you realize K.M.H.I. is an understanding organization.

In visiting with legislators both prior to and during this session, we understand your dilemma of balancing budgets, increasing revenues, not increasing taxes, etc.

Our understanding is the reason when we were asked, if only new or used might be possible this year, that we suggested the half with the smaller fiscal note.

You today are considering the most abusive, and totally discriminatory use of Sales Tax in the State of Kansas.

When a new conventional dwelling is sold, sales tax is paid on material only at approximately 50 per cent or less of total selling price, and never taxed again. New mobile homes are taxed on the full retailing selling price including manufacturers profit, dealer profit, labor, freight, etc. If that is not bad enough, every time a used mobile home is sold, tax is paid on the total selling price, including profits, freight, sales commission, etc., and this never ends. We have paid tax on the same structure three to four times in a ten year period of time.

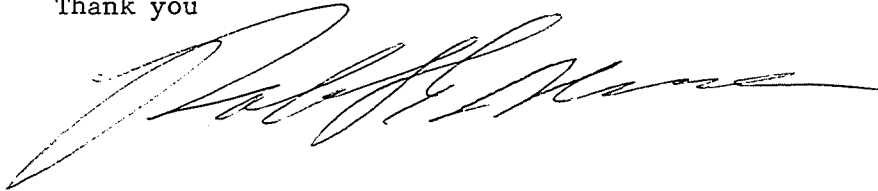
We are not talking about a used plow, disc, a \$3.00 bag of cookies, a used car or recreational vehicle. We are talking about shelter, a place to live, even though they are used, it is generally the nicest place the people have had to live at this point of their life.

Do we have to continue to take advantage of the below average income, working class, of the Kansas work force who are not asking for hand outs, or subsidized payments? They would merely like to buy and pay for a home of

their own and not be a burden to society. Yes, they would like a part of the American Dream to own their own home, and keep trading up as time and income will allow, until such time that they have attained their housing goal.

I thank you for your time and attention, and ask, in matter of fact, I plead with you to favorably vote Senate Bill 152 out of committee, and help us get it on the Governors desk during this session. Let us give our children, grand children, and the working Kansan equal taxation regardless of where or how they may choose to live.

Thank you

A handwritten signature in black ink, appearing to read "Paul H. Moore". The signature is written in a cursive style with a long, sweeping underline.



"Your Independent Mobile Home Sales & Service Company Since 1950"

4230 SOUTH BROADWAY • WICHITA, KANSAS 67216-1795 • PHONE (316) 524-4286

ASSESSMENT AND TAXATION COMMITTEE

Mr. Chairman and Members of the committee. I'm R. Donald Allison, President of Dick Allison Mobilehomes, Inc. 4230 So. Broadway, Wichita, Kansas. Our company was founded in 1954 by Dick Allison and I have been affiliated with it since my graduation from Kansas State University in 1959. We currently employ 13 persons, plus several sub-contractors and have annual sales of about 1½ million dollars.

I am here to speak in favor of Senate Bill #152, as amended. This bill originally asked that sales tax on newhomes be paid on the material only just the same as a new site built home buyer pays. Not on labor, freight, overhead or profit but just on material. The original bill also requested that sales tax be eliminated on each subsequent sale, since sales tax had already been paid on the new sale. The Bill has been amended to include only the exemption of sales tax on the pre-owned mobile homes. This would also be the same as a buyer of a site built pre-owned home would pay. We are not asking for an exemption of sales tax on this product, like many of the other products that appear in this section, but that a mobilehome be treated no different than a site built home for sales tax purposes.

Mobilehomes are now taxed the same as a site built home for property tax purposes. This was accomplished by the 1982 legislature, and became effective January 1, 1983. The law now states that all mobilehomes used as a dwelling or residence shall be appraised for advalorem tax purposes in the same manner as real property.

Taxation on mobilehomes evolved somewhat like the product itself. Our industry was started in the 1940's because of housing shortages. The homes were very small (24'x8') and the construction methods and quality were totally unregulated. Since they were pulled behind automobiles, they became associated more with motor vehicles than with site built housing and; therefore, they were licensed, assessed as personal property and sales tax paid on the total selling price. Although the product is now HUD regulated and is no longer easily relocated because of its size (800-1600 sq. feet) it is still associated with motor vehicles by some antiquated laws.

Mobilehomes now represent almost all housing being built for under \$40,000.00. We dominate this market, not because a HUD approved factorybuilt home is inferior, but because the site built industry has not been able to fill this need. Most of our price advantage comes from volume material purchasing, and mass production in an environmentally controlled factory.

Attachment 3

3/26/85



"Your Independent Mobile Home Sales & Service Company Since 1950"

4230 SOUTH BROADWAY • WICHITA, KANSAS 67216-1795 • PHONE (316) 524-4286

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ASSESSMENT AND TAXATION COMMITTEE

Since most of our sales are in the \$17,000 - \$22,000 range, we attract mostly first time buyers that are moving out of a rental situation and have had a very hard time accumulating a down payment. All lenders set up guidelines that they adhere to fairly rigidly on a maximum that they will loan a buyer. They normally want 10% down and the buyer must have the ability to make the monthly payment. The reason that the lenders want such a big down payment is because of the sales tax that is added on to the cash selling price of the home. Most Buyers can make the monthly payments, but it is very difficult for them to come up with the down payment and this often keeps them from obtaining a home of their own.

Although our main interest is the home buyer, this iniquitable sales tax also is a hardship on the mobilehome retailer. Most dealerships make arrangement with lenders to finance the home for their customers and in most cases the lender requires that the dealer guarantee the contract and agree to buy back homes for the payoff at the time of a repossession. In 1984 our company repurchased 22 homes from lenders for approximately \$375,000. We stand to lose about \$13,500 because of the sales tax that was added to these contracts at the time of original sale. It will also make these homes harder to sell because of the sale tax that we must collect again.

The following is an example to show the iniquity of sales tax assessment between a mobilehome on a permanent foundation and one on a temporary foundation. If a factory built mobilehome is put on a permanent foundation, then it will be assessed sales tax on the full cash selling price of the home itself only on the original sale, but not on each resale. However, if the exact same home is put on a temporary foundation, it will be assessed sales tax each time it is resold. This can happen because the product has changed through the years and the law has not kept up to date.

In conclusion I ask for your support on Senate Bill 152, as amended.

A handwritten signature in cursive script that reads "R. Donald Allison". The signature is written in dark ink and is positioned above a horizontal line.

R. Donald Allison, President



HOMES & RV CENTER, INC.

835 Northeast Highway 24 • Topeka, Kansas 66608 • 913 357-5111

TO: ASSESSMENT AND TAXATION COMMITTEE

DATE: MARCH 26, 1985

SUBJECT: SALES TAX ON MANUFACTURED HOUSING

REPRESENTATIVE ROLFS AND MEMBERS OF THE COMMITTEE:

MY NAME IS DON CHRISTMAN. I AM CO-OWNER AND SECRETARY-TREASURER OF WILCOX HOMES & R.V. CENTER, INC., TOPEKA, AND A PRINCIPAL IN COACHLIGHT VILLAGES MOBILE HOME PARKS. COACHLIGHT OPERATES 294 RENTAL SPACES IN TOPEKA, KANSAS.

I AM APPEARING THIS MORNING TO SPEAK IN FAVOR OF THE SALES TAX BILL YOU ARE CURRENTLY CONSIDERING THAT WOULD ELIMINATE THE SALES TAX ALTOGETHER ON USED MOBILE HOMES.

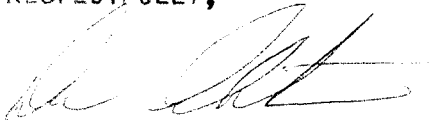
THERE ARE TWO PRIMARY REASONS KANSAS MANUFACTURED HOUSING INSTITUTE AND THEIR MEMBERS ARE SUPPORTING THIS BILL:

1. EQUALITY- UNDER THE PRESENT SALES TAX SYSTEM A CONVENTIONAL HOME BUILDER PAYS SALES TAX ON THE MATERIALS ONLY THAT ARE USED IN THE CONSTRUCTION OF A NEW HOME. THIS IS THE ONLY SALES TAX COLLECTED AND THE ONLY TIME SALES TAX IS COLLECTED ON A CONVENTIONAL HOME. WITH THE NEW MANUFACTURED HOME, SALES TAX IS COLLECTED ON THE TOTAL SELLING PRICE OF THE HOME INITIALLY AND WITH EACH SUBSEQUENT SALE. I WOULD SUBMIT TO YOU THAT IN ORDER FOR THE MANUFACTURED HOME INDUSTRY AND THE MANUFACTURED HOME DWELLER TO BE TREATED EQUALLY, SALES TAX SHOULD BE ELIMINATED ON USED HOMES AND THE MATERIALS ONLY TAXED ON NEW HOMES. SINCE THE BILL YOU ARE CONSIDERING IS IN AMENDED FORM, THE ISSUE OF REMOVAL OF SALES TAX ON USED IS THE ONE TO WHICH WE DIRECT OUR ATTENTION.

2. THE SECOND ISSUE IS A PEOPLE ISSUE. HOME OWNERSHIP IS A DREAM EVERYONE SHARES AND THE MAJORITY OF PEOPLE WHO NEED TO BUY A LOW COST HOME CHOOSE A MANUFACTURED HOME. IF THE SALES TAX BILL IS PASSED INTO LAW A GREATER PERCENTAGE OF THE PEOPLE WE SEE DAILY WHO HAVE THE DESIRE TO PURCHASE A HOME WILL QUALIFY. THE NET EFFECT OF OUR SALES TAX BILL IS A LOWERING OF THE TOTAL COST AND A LOWERING OF THE DOWN PAYMENTS REQUIRED TO PURCHASE A USED HOME. ELIMINATION OF SALES TAX ON A \$10,000.00 USED HOME WOULD LOWER THE DOWN PAYMENT BY \$400.00 IN TOPEKA OR ON A 10 YEAR PAY PLAN AT CURRENT RATES (14.25%), WOULD SAVE THE PURCHASER OVER \$750.00. THE BENEFIT ILLUSTRATED WILL ACCRUE TO YOUNG FAMILIES FROM FORMATION OF HOUSEHOLD UP TO ABOUT THE AGE OF 30, AND ACCRUE TO PEOPLE 55 AND OLDER WHO ARE MAKING READY FOR RETIREMENT, AS THESE TWO GROUPS ARE THE PREDOMINATE AGE GROUPS WHO PURCHASE MANUFACTURED HOUSING.

IN CONCLUSION, I WOULD LIKE TO THANK YOU FOR THE OPPORTUNITY TO SPEAK THIS MORNING AND WOULD ASK YOUR SUPPORT AND CONSIDERATION ON THE SALES TAX ISSUE NOW PENDING.

RESPECTFULLY,



DON CHRISTMAN, SEC./TREAS.
WILCOX HOMES & RV CENTER, INC.

5

Woodard Mobile Homes Inc.

R.R. #1 • BOX 346 • 1-913-537 1981 • MANHATTAN, KANSAS 66502

Testamony Before the House Assessment and Taxation Committee

TO: Representative Ed Rolfs and Committee Members

FROM: Michael Thomason, President
Woodard Mobile Homes, Inc.
Manhattan, Kansas

DATE: March 26, 1985

REGARDING: In support of Senate Bill No. 152

Mr. Chairman and Members of the Committee,

I am Mike Thomason from Woodard Mobile Homes in Manhattan.
Thank you for this opportunity to speak on behalf of Senate Bill No. 152.

Pride of home ownership has long been the American Dream. With the average site built home cost in the \$80,000 range today, fewer people are able to relize that dream. Manufactured housing is the only affordable alternative for the majority of consumers today. In the evolutionary process of housing trends today, the pre-owned mobile home is increasing its appeal as the first dwelling a young couple or family invests in. It provides a return on their investment and is a stepping stone which will someday allow them to transfer their equity to a new or newer, larger home.

Currently, sales tax is not involved in the transfer of ownership of a pre-owned site buit house. In contrast, sales tax is collected each time a mobile home is sold. For instance, the sales tax charged on a new and used mobile home not only includes tax on the materials, but tax on labor, freight, set-up charges, warranty allowances, factory profits, and dealer profits. My point being, the sales tax on a new mobile home is based on the retail selling price.

Why then should sales tax be charged repeatedly when this home is sold for the 2nd, 3rd, 4th, etc., time? I feel that the sales tax collected by the State each time a pre-owned mobile home is sold is an inequity to the consumer.

Again, I would like to thank the Committee for their time and consideration. I urge you to support Senate Bill No. 152.

March 26, 1985

TESTIMONY ON TAX BILL 152

Mr. Chairman and Members of the Taxation Committee.

My name is Gary Hoover, President of the Kansas Manufactured Housing Institute; and owner and President of Specialized Service Co. in Wichita, Kansas the distributor of manufactured housing heating and air conditioning equipment for the Coleman Co.. Please let me remind you that Coleman manufactured housing heating and air conditioning equipment is a "home grown" product, built in Wichita.

I have been a part of the Manufactured Housing Industry for 23 years--and never have I seen this industry in such "deep trouble". Dealers are going bankrupt and out of business, manufacturers are closing plants, suppliers and other companies are closing down and many companies are barely holding on!

Why you ask? I'll tell you why! Site built home owners, only pay tax on materials used for new construction and never on subsequent sales. However, a purchaser of a manufactured home, must pay sales tax for the full purchase price of the home, whether he is the first owner or the 6th. owner.

Is it fair to make a retired couple or a young couple to pay an extra \$600.00 in sales tax on a used \$20,000.00 manufactured home--when if it was a site built home, they would not pay any sales tax. Obviously the answer is no, it is not fair! The advantage it gives the site built industry over the manufactured housing industry, is a major problem.

We do not ask for anything more than the site built home industry. Let's not continue to penalize the people who look to us for an affordable home! Whether it is a site built home or a manufactured home, it is still a "HOME".

I ask each and everyone of you to do the fair, the just, and the honorable thing and ask for your full consideration and support in approving and passage of Bill #152. Thank you.

Gary E. Hoover



President K M H I
President Specialized Service Co.



Green Tree Acceptance, Inc.

2945 WANAMAKER DR., SUITE A • TOPEKA, KANSAS 66614
KANSAS 1-800-432-2316 • LOCAL 913-272-9143
OUT OF STATE: 1-800-255-0462

TESTIMONY BEFORE THE HOUSE TAX AND ASSESSMENT COMMITTEE

TO: Chairman Ed Rolfs and Members of the Committee

FROM: Mike Newell, Kansas Regional Manager

DATE: March 26, 1985

RE: Testimony in support of Senate Bill 152

Mr. Chairman and members of the Committee,

I am Mike Newell, Kansas Regional Manager for Green Tree Acceptance. Green Tree Acceptance is a national corporation with 33 offices across the United States. For the last several years we have been the largest lender in manufactured housing in the country. The office I manage in Topeka, covers the entire state of Kansas as well as metropolitan Kansas City, Missouri.

In November of 1983, Green Tree Acceptance became a publicly held company with stock exchanged on the NASDAQ stock exchange. Prior to that time we were a subsidiary of Midwest Federal Savings and Loan of Minnesota. Midwest Federal Savings and Loan has been rated in the top 10 savings and loans nationwide for many years. Being involved in real estate and manufactured housing makes the inequity of used housing taxation extremely evident. The fact that used manufactured housing is taxed when used real estate is not puts not only the seller at a disadvantage but more importantly the buyer is at a disadvantage. I feel that housing, regardless of its type, should not be treated differently from one industry to another. The fact that manufactured housing buyers have to pay a sales tax is unjust.

Another area where the taxation of used manufactured housing becomes evidently unjust is in the transfer of one loan to another individual. With the real estate transfer or assumption no additional tax is paid. With a manufactured home loan assumption, the party assuming the loan not only pays the filing fees and assumption fees, they have the additional burden of paying the sales tax on the amount of the loan they are assuming. This can amount as much as 10 times the total of all other fees necessary to assume the loan. An example would be a loan with an unpaid principle balance of \$17,000.00. There would be a \$10 titling and licensing fee and a \$40 assumption fee yet the sales tax on the \$17,000.00 would be \$510.00 -- over 10 times the total of the other two fees.

Again, thank you for this opportunity to appear here before you today and I and many other Kansans thank you for your support of Senate Bill 152.

Sincerely yours,

Mike Newell
Kansas Regional Manager