

*STATE OF WISCONSIN**REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS**2003 ASSEMBLY BILL 127*

[Introduced by Representatives Albers, Ladwig, Freese, Gunderson, Gundrum, Hines, Krawczyk, Lassa, F. Lasee, D. Meyer, Musser, Owens, Seratti and J. Wood, cosponsored by Senators Schultz, Robson and Welch.]

General Nature of Proposal

Generally, under current law, a recreational mobile home is exempt from the personal property tax if the mobile home is no larger than 400 square feet and is used primarily as temporary living quarters for recreational, camping, travel, or seasonal purposes. [s. 70.111 (19) (b), Stats.] Under current law, a "mobile home" is something that is, or was as originally constructed, designed to be transported by any motor vehicle upon a public highway and designed, equipped, and used primarily for sleeping, eating, and living quarters, or is intended to be so used. A mobile home includes any additions, attachments, annexes, foundations, and appurtenances. [See s. 66.0435 (1) (d), Stats.]

Assembly Bill 127 modifies the current personal property tax exemption for mobile homes to provide that a recreational mobile home is exempt from the personal property tax if the mobile home has a gross trailer area not exceeding 400 square feet in the set-up mode, if it is built on a single chassis mounted on wheels, if it is certified by the manufacturer as complying with the American National Standards Institute Code 119.5 (ANSI 119.5) for such homes, and if it is used primarily as temporary living quarters for recreational, camping, travel, or seasonal purposes. In addition, the bill provides that any attachment to a recreational mobile home that is exempt from the personal property tax, other than another recreational mobile home, is exempt from the personal property tax, if the attachment is no larger than 400 square feet.

The changes in the bill would first apply to property tax assessments as of January 1, 2003.

Legality Involved

There are no questions of legality involved.

Fiscal Effect Upon the State and Its Subdivisions

The Department of Revenue estimates the fiscal effect upon the state as follows:

Under current law, a recreational mobile home is exempt from personal property tax if the mobile home is no larger than 400 square feet and is used primarily as temporary living quarters for recreational, camping, travel or seasonal purposes. Under current law, attachments that are affixed to a recreational mobile home, such as a deck or porch, are considered part of the total square footage of the mobile home. However, a deck that is next to, but not affixed to a mobile home would, under current law, be considered taxable improvement on leased land and would

not be considered part of the total square footage of the mobile home. Under current law, a mobile home is classified as taxable real property if it is set upon a foundation on land that is owned by the mobile home owner and is connected to utilities.

Under the bill, a recreational mobile home is exempt personal property if the mobile home has a gross trailer area not exceeding 400 square feet in the set-up mode; it is built on a single chassis mounted on wheels; it is certified by the manufacturer as complying with the American National Standards Institute Code for such homes; and it is used primarily for recreational, camping, travel or seasonal purposes. Any attachments to an exempt recreational mobile home that does not exceed 400 square feet is also exempt. However, the attachment may not be another exempt mobile home.

Assuming that the 400 square foot size limit for the gross trailer area of the mobile home refers to the trailer's exterior, the bill would not significantly broaden the exemption for recreational mobile homes. However, under the bill, 400 square foot recreational mobile homes that are currently taxable due to attachments would be exempt so long as the attachments do not exceed 400 square feet.

Since recreational mobile homes set upon a foundation on land owned by the mobile home owners are taxable real estate, it is assumed that the bill would affect primarily recreational mobile homes located on leased land and campgrounds. Based on information from the Wisconsin Association of Campground Owners, there are approximately 7,000 campsites rented for seasonal purposes in the state. Discussions with campground owners suggest that there is a high occupancy rate for these sites. For purposes of the analysis, the following assumptions are made: 1) there are 7,000 recreational mobile homes that are classified personal property; 2) 75% of these recreational mobile homes have some type of attachment that is 400 square feet or less; and 3) 25% of the mobile homes with attachments are taxable as a result of the size limit. It is also assumed that in the case of multiple attachments, the bill exempts the attachments only if all attachments combined do not exceed 400 square feet.

Thus, the bill would exempt approximately 1,300 recreation mobile homes that are currently taxable as a result of attachments exceeding the 400 square foot limit ($7,000 \times 75\% \times 25\%$). Assuming the average value of a recreational mobile home is \$15,000 and a tax rate of \$20.00 per \$1,000 of taxable value, the bill would result in a tax shift of approximately \$390,000 ($\$1,300 \times \$15,000 \times .02$) from owners of recreational mobile homes to other taxpayers. To the extent that exempt attachments have significant value, as in the case of porches or sunrooms, the tax shift will be greater. This is particularly the case if there are multiple attachments and each attachment of less than 400 square feet is exempt.

The bill would require modifications to the Wisconsin Property Assessment Manual, the cost of which can be absorbed. Local assessors and the department would be required to purchase the ANSI Code to ensure compliance with the law. Assuming there are 500 assessors responsible for tax rolls in the state and the ANSI Code 119.5 costs \$37, local costs would increase \$185,000 statewide (500 x \$37).

Public Policy Involved

The bill may be considered good public policy if the standing committees of the Legislature which subsequently review the bill work with the Department of Revenue to determine a fair and equitable manner for taxing attachments to mobile homes that balances the interests of mobile home owners with the administration of a uniform tax system.