

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0247-03
Bill No.: SB 235
Subject: Manufactured Housing; Revenue Dept.; Property, Real and Personal; Liens; Mortgages and Deeds
Type: Original
Date: February 11, 2009

Bill Summary: 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.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
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 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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 the 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 there would be no added cost to their organization as a result of this proposal.

BAP officials stated that this proposal would create a 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. BAP notes that, according to the State Tax Commission's website, properties are assessed at the following percentage of total value:

Real Property	19%
Personal Property, Mfg. Homes	19%
Personal Property, Motor Vehicles	33.3%

In general, manufactured homes are classified as motor vehicles. This proposal could therefore lower the assessed value of numerous properties across the state. BAP does not have the data to estimate the impact of this proposal on local funds. This proposal would not impact general revenues, but may impact the Blind Pension Fund by an unknown amount.

In response to a similar proposal in the previous session (HB 1474 LR 3708-02) officials from the **Department of Elementary and Secondary Education** deferred to the Department of Revenue for an estimate of the fiscal impact of the proposal.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would establish procedures and requirements that must be followed when converting a manufactured home to real property and back again.

DOR would be required to maintain a record of each affidavit of affixation, application for surrender, conformation of conversion, title or MSO, and affidavit of severance that is submitted. So long as the manufactured home is subject to any security interest perfected, DOR could not file an affidavit of affixation, nor cancel the manufacturer's certificate of origin, nor revoke the certificate of title. The validity and priority of any security interest perfected would continue.

DOR would be required to develop a new computer system to record applications for surrender, applications for confirmation of conversion, and applications for title accompanied by affidavit's of severance that are submitted to DOR and to issue the required acknowledgments. Additional data is required than what is required in the current title system, i.e, dimensions of the manufactured home.

DOR would be required to revise related policies and procedures, develop procedures and process an unknown number of applications for surrender of the manufacturer's statement of origin, title, and conformation of conversion (when no title or MSO is available) on manufactured homes converted to real property. DOR would enter the applications into a system, completing record searches, deleting the title record, and provide written acknowledgement of compliance to each party involved. If converted back, a new title must be issued.

DOR did not provide an estimate of the cost to implement this proposal; however, DOR officials stated that depending on volume a request for overtime or FTE and a request for expenses could be necessary.

Oversight assumes that a limited number of manufactured homes would be converted from personal property to real estate or reconverted from real estate to personal property. Oversight also assumes that additional fees would be minimal and that DOR could implement the proposal with existing resources. If unanticipated expenses are incurred or if multiple proposals are implemented which result in an increased workload, resources could be requested through the budget process.

ASSUMPTION (continued)

DOR officials also provided this estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration, Information Technology Services Division** (ITSD/DOR) estimate the IT portion of this request could be implemented using one FTE existing CIT III for two months to develop a new computer system at an estimated cost of \$8,882. ITSD/DOR officials assume this proposal could be implemented with existing resources; however, if priorities shift additional FTE/overtime would be needed.

Officials from **Linn State Technical College**, the **Metropolitan Community Colleges, St. Louis County**, and the **City of Centralia** assume this proposal would have no fiscal impact to their organizations.

Officials from **Cass County** assume this proposal could have a positive fiscal impact to their organization if manufactured homes are converted from personal property to real property.

Oversight assumes this proposal would have no significant fiscal impact to the state or to local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<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.

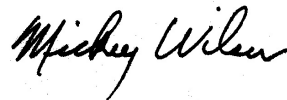
FISCAL DESCRIPTION

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.

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 the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue
Linn State Technical College
Metropolitan Community College
Cass County
St. Louis County
City of Centralia



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