

**701—33.10(423) Tax imposed on the use of manufactured housing as tangible personal property and as real estate.** As of July 1, 1999, tax is imposed on the use of “manufactured housing” in Iowa. On and after that date the term “manufactured housing” or “manufactured home” is intended, generally, to replace the term “mobile home” when referring to prefabricated housing which is subject only to use tax and not to sales tax even though there are some differences in the law’s treatment of mobile homes and manufactured housing.

**33.10(1) Definition.** “Manufactured housing” is basically housing which is factory built to specifications required by federal law (42 U.S.C. § 5403) and which is required by federal law to display a seal from the United States Department of Housing and Urban Development. It may be further characterized as (1) a structure built on a permanent chassis, (2) transportable in one or more sections, and (3) designed to be used as a dwelling with or without a permanent foundation. See the definition of “manufactured home” found in 24 Code of Federal Regulations § 3280.2 for additional characteristics of what is and is not “manufactured housing” for the purposes of Iowa use tax law.

**33.10(2) Tax treatment of manufactured housing which is similar to the tax treatment of mobile homes:**

*a.* Manufactured housing is subject only to Iowa use tax and not Iowa sales tax. The sale of manufactured housing in Iowa is defined by the applicable statute as a use of the housing in this state.

*b.* The use tax on manufactured housing is paid by the owner of the housing directly to the appropriate county treasurer. The law does not require any dealer or retailer in manufactured housing to collect use tax from a purchaser and remit the tax to any governmental body, although the law does not prevent a dealer from doing this as a courtesy to buyers.

*c.* Only 60 percent of the purchase price of either a mobile home or manufactured housing is subject to use tax. See rule 701—32.3(423). The use of manufactured housing previously subject to tax and upon which the tax has been paid is exempt from further tax.

*d.* The taxation of manufactured housing which is sold in the form of tangible personal property is similar to the taxation of mobile homes which are sold in the form of tangible personal property. See rule 701—33.9(423).

**33.10(3) Taxable use of manufactured housing in the form of real estate.** Unlike mobile homes, the use of which can be taxed only when the homes are in the form of tangible personal property, under certain conditions, the use of manufactured housing in the form of real estate can be subject to tax. On and after July 1, 1999, if a developer has placed a manufactured home on a foundation in a lot in Iowa and hooked up the necessary utilities and completed the necessary landscaping to convert the home from tangible personal property to realty, the sale of the manufactured home to a user is a taxable use of the home on the user’s part.

EXAMPLE. Alpha and Omega Development Corp. buys land with enough space for 100 lots for manufactured housing and for the streets necessary to provide access to the lots. Alpha and Omega then buys 100 manufactured houses. It lawfully buys these houses exempt from use tax based on the assertion that they have been purchased for subsequent resale. Alpha and Omega then develops the land, installing water, sewer and electric lines, placing the manufactured homes on foundations, and otherwise taking steps to convert the homes from tangible personal property to real estate.

Alpha and Omega then sells the homes on the lots to various customers. Each purchase of a home by a customer is a taxable use of the home on that customer’s part, and the customer is obligated to pay the appropriate county treasurer the amount of Iowa use tax due.

*a.* When tax is due on the use of manufactured housing in the form of real estate, the basis for computing the tax is the “installed purchase price” of the manufactured housing. The “installed purchase price” is the amount charged by a building contractor to a homebuyer to convert manufactured housing from tangible personal property into real estate. Use tax is due on 60 percent of the amount of the installed purchase price. See rule 701—32.3(423).

*b.* Included within the meaning of the term “installed purchase price” are amounts charged to a buyer of a manufactured home to build and install a foundation on which to place a home; amounts charged to hook up electric, water, gas, sewer system, and other lines for necessary utilities; amounts charged to sell and install “skirting” (see subrule 33.9(1)); amounts charged to build and install any steps

for a door; and amounts separately charged for any appliances or other items which become a part of the housing after installation, e.g., dishwashers and whirlpool tubs.

*c.* Excluded from the meaning of the term “installed purchase price” is any amount charged for the purchase of land on which to place a manufactured house; any amount charged for landscaping in connection with the installation of a manufactured house; any amount charged to build and install any deck or similar appurtenance to a manufactured home; and any amounts charged for the sale of furniture or appliances which remain tangible personal property after installation, e.g., furniture, room air conditioners, and refrigerators. This list of inclusions and exclusions is not exclusive. Furthermore, the purchase of furniture or appliances which remain tangible personal property is subject to Iowa sales or use tax, including consumers’ use tax.

*d.* The exemption in favor of taxable services performed on or in connection with new construction (see rule 701—19.13(422,423)) is not applicable when calculating the amount of any installed purchase price.

This rule is intended to implement Iowa Code sections 423.1, 423.2, 423.4, 423.6, and 423.7 as amended by 1999 Iowa Acts, chapter 188.