



[HF 2562](#) – Mobile, Manufactured, and Modular Homes, Tenants and Landlords (LSB2003HW)
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Fiscal Note Version – New

Description

[House File 2562](#) relates to the rights and duties of mobile home park and manufactured home community tenants and landlords.

The Bill also repeals the annual square-foot tax levied on mobile and manufactured homes located within a mobile home park or manufactured home community. The annual square-foot tax on modular homes located in mobile home parks and manufactured home communities that were in existence on or before January 1, 1998, is also repealed.

In addition, the Bill exempts all modular homes located within mobile home parks and manufactured home communities from the property tax, and exempts all garages and outbuildings located within mobile home parks and manufactured home communities from the regular property tax.

The changes are effective with tax assessments due in FY 2023.

Background

Definition of terms:

- A “mobile home” means a vehicle constructed or designed for human habitation that does not move under its own power or is not registered as a motor vehicle. A mobile home is not built to a mandatory building code and was built on or before June 15, 1976.
- A “manufactured home” is similar to a mobile home, but must have been factory-built under the authority of 42 U.S.C. [§5403](#) after June 15, 1976. While mobile and manufactured homes can be placed on foundations, they often are not.
- A “modular home” is a factory-built structure constructed for human habitation that meets the requirements of Iowa Code section [103A.7](#) (State building code). Modular homes are built in a factory and assembled on site and placed on a permanent foundation.
- A “mobile home park” is any tract of land upon which three or more mobile and/or manufactured homes are placed on developed spaces. A mobile home park must also be operated as a for-profit enterprise with water, sewer or septic, and electrical services available.
- A “manufactured home community” is the same as a [land-leased community](#), which is any tract of land under common ownership upon which 10 or more occupied manufactured homes are located.

Under current law, mobile and manufactured homes located within a mobile home park or manufactured home community are exempt from the traditional property tax assessment process. As a replacement, a mobile or manufactured home located in a mobile home park or manufactured home community is subject to a tax that equals a maximum of \$0.20 per square foot of floor space. The maximum tax rate is reduced as the home ages. Homes that are 6 to 9 years old are taxed at a maximum rate of \$0.18 per square foot, while homes 10 years or older are taxed at a maximum rate of \$0.16 per square foot. Modular homes located in a mobile

home park or manufactured home community that was in existence before January 1, 1998, are subject to the square-foot tax.

Modular homes located in newer mobile home parks or manufactured home communities, as well as mobile, manufactured, and modular homes located outside of a mobile home park or manufactured home community, are subject to the traditional assessment process for property tax; that is, they are assessed at market value, that value is subject to the residential rollback, and the prevailing consolidated property tax rate is applied to the rollback value.

Iowa Code section [435.22](#) provides for a reduced or eliminated square-foot tax for low-income homeowners. For 2022, a homeowner with a household income of less than \$12,546 is exempt from the square-foot tax, while homeowners with household income of \$12,546 through \$24,353 are subject to a reduced rate of \$0.03 to \$0.15 per square foot. An eligible low-income homeowner must file an annual [application](#) with the county. The State reimburses local governments for the revenue reduction that is the result of the lower tax rate for low-income households through the General Fund appropriation for the Elderly and Disabled Property Tax Credit.

Assumptions

- A Legislative Services Agency [document](#) completed in 2019 with the assistance of the Iowa State Association of Counties reported that there were 35,443 housing units located in mobile home parks and manufactured home communities in the 92 assessor areas that participated in the report. Those 92 assessor areas represent 79.2% of the 2020 Iowa population. Adjusting for the missing population, the total number of housing units in parks and communities is estimated to be 44,868.
- According to the U.S. Census [Shipment of New Manufactured Homes](#) annual shipments by state data table, 26,498 new manufactured homes were shipped to Iowa from 1994 through 2021, with 2,768 shipped in the last 5 years, 1,453 shipped during the 4 years prior to that, and 22,277 shipped from 10 to 28 years ago. To account for mobile and manufactured homes within the 26,498 homes shipped to Iowa but placed in areas outside of parks and communities, the results for each age category are multiplied by 70.0%.
- The first two assumptions result in the following estimates of the number of mobile and manufactured homes located in Iowa mobile home parks and manufactured home communities:
 - Less than six years — 1,938 (subject to a \$0.20 square-foot tax).
 - Six through nine years — 1,017 (subject to a \$0.18 square-foot tax).
 - Ten years or older — 41,913 (subject to a \$0.16 square-foot tax).
- According to [MobileHomeLiving.org](#), the average Iowa mobile or manufactured home has 1,217 square feet of floor space. A 1,217-square-foot mobile or manufactured home would be subject to an annual tax assessment of \$195 to \$243. If the homeowner qualified as low-income, the annual tax would be lower or potentially \$0.
- Iowa law does not provide for a reimbursement to counties for the reduced revenue associated with the tax rate reduction based on the age of the home, but it does provide for the reimbursement for the tax rate elimination or reduction that is based on homeowner household income. For FY 2019 through FY 2021, the State reimbursed local governments an average of \$86,500 through the General Fund Elderly and Disabled Property Tax Credit appropriation for the impact of low-income square-foot tax rate reductions.

Fiscal Impact

Eliminating the square-foot tax on mobile and manufactured homes will reduce annual taxes owed by homeowners by an estimated \$8.8 million and will also reduce the annual local government reimbursement (paid through the State Elderly and Disabled Tax Credit

appropriation) by \$86,500. The two reductions will result in an estimated annual local government revenue reduction of \$8.9 million. All changes will start with FY 2023.

Complete removal of the square-foot tax will relieve local governments and the State from current administrative and enforcement expenses associated with the tax and local government reimbursement process.

The estimate does not include the annual traditional property tax reduction that will result from the provisions of the Bill that exempt existing modular homes located within mobile home parks or manufactured home communities from the square-foot or traditional property tax, nor does it include an estimate of the reduction in traditional property tax associated with exempting garages and other buildings currently located in parks and communities.

It should be noted that the Bill will also permanently exempt from any form of property tax all new modular homes that are placed within existing or new mobile home parks or manufactured home communities. Unlike manufactured homes, modular homes are not limited in size or value and once constructed can be indistinguishable from a home that is constructed on site. A 100.0%, permanent property tax exemption may provide significant incentive for new modular home development to occur within existing or new parks and communities as opposed to outside of them, where the modular homes are subject to the same property tax as all other homes.

Sources

Department of Revenue
Legislative Services Agency analysis

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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