

SB 234
Opposition
In person-oral



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TO: Senator Caryn Tyson, Chairwoman
Senate Assessment and Taxation and
Member of the Senate Assessment and Taxation Committee

FROM: Martha Smith, Executive Director
Kansas Manufactured Housing Association

DATE: March 16, 2021

RE: SB 234 – Requiring same appraisal methodology for real and personal property manufactured and mobile homes

Chairwoman Tyson and Members of the Senate Assessment and Taxation Committee, my name is Martha Smith and I am the Executive Director of the Kansas Manufactured Housing Association (KMHA). KMHA is a statewide trade association representing all facets of the manufactured housing industry (manufacturers, retail centers, manufactured home community owners and operators, service and supplier companies, finance and insurance companies and transport companies) and I appreciate the opportunity to comment today on SB 234 – Appraisal method for manufactured or mobile homes.

The concern the association has with SB 234 is that for tax purposes it will treat real property manufactured homes as personal property. We feel this is in conflict with K.S.A. 58-4214 – Manufactured Housing: elimination of certificate of title; requirements; real property. K.S.A. 58-4214: Whenever a manufactured home or mobile home is permanently affixed to real property, by placement upon a permanent foundation of a type not removable intact from such real property, the manufactured home or mobile home shall be considered for all purposes an improvement to real property, if the certificate of title which has been issued or is required to be issued for such manufactured home or mobile home pursuant to K.S.A. 58-4204, and amendments thereto, is eliminated pursuant to this section. If the certificate of title has been eliminated pursuant to this section, the ownership of the manufactured home or mobile home shall be an incident of ownership of the real property where it is located under governing real property law. If the certificate of title has been eliminated pursuant to this section, a separate security interest in the manufactured home or mobile home shall not exist, and the manufactured home or mobile home shall only be subject to a lien as part of the real property where it is located.

This language was vetted in 2001 by the following groups: Kansas Association of Counties, Kansas Bankers Association, Kansas Land Title Association, Kansas Department of Revenue, Title and Registration and the Division of Property Valuation and Kansas Manufactured Housing Association.

What this statute provides is certainty. Certainty for homebuyers, lenders and title insurance underwriters that they are buying, lending on and insuring the title to an improvement to the real estate.

A loan on a manufactured home that is an improvement to the real estate is different than a loan on a personal property manufactured home. Mortgages and chattel loans are regulated differently and they are perfected differently.

Also, the two Government Sponsored Enterprises, Fannie Mae and Freddie Mac do not securitize or purchase personal property manufactured home loans. Many lenders do not make home loans that are not approved by Fannie Mae or Freddie Mac.

For the title insurance industry - title insurance protects homebuyers and lenders from defects in a title to real property. Title insurance does not insure clear title to personal property (manufactured home with titles).

Since the passage of K.S.A. 58-4214, we have had only one situation that all of the interested parties felt an adjustment was needed. In 2019, the Title Insurance Industry was having the following issue: a manufactured home on a permanent foundation; the title was eliminated; but the county was taxing the home as personal property.

Again, the interested parties worked together and made two changes: first, to the Manufactured/Mobile Home Title Elimination Application - we added a new check off for the counties. This check allows the counties to either say, yes, the home is on a permanent foundation or no, the home is not on a permanent foundation before it goes to the State for elimination.

Second, Roger Hamm, Deputy Director of the Division of Property Valuation developed a Directive for counties analyzing the classification of manufactured homes as personal or real property for tax purposes, the elimination of title provisions and permanent foundations. That Directive was just published in the Kansas Register on January 7, 2021.

The association is concerned that SB 234 will create a similar situation to 2019, where a manufactured home on a permanent foundation, with the title eliminated and it is an improvement to the real estate but it is taxed as personal property. This causes uncertainty for homebuyers, existing homeowners, lenders and title insurance underwriters.

KMHA respects and appreciates the Senate Assessment and Taxation's attention to property taxes on manufactured housing, but because of these specific nuances unique to manufactured housing and the impact that the change would have on lending and title insurance for manufactured housing, we would respectfully ask that you do not move forward on SB 234.

Thank you again for the opportunity to comment.