Mobile home parks have been dotting the Michigan landscape since the Great Depression, but it was during the World War II housing shortage for defense workers that the mobile home evolved from what had been an inexpensive, temporary housing option for migrant workers into a permanent housing solution for a large number of the State’s working-class families and retirees. Today, the mobile home industry and park residents refer to their homes as “manufactured housing” and there are more than 140,000 units located in developments across Michigan, with roughly 5,000 units added annually. Although the terminology describing the homes has been updated to keep up with the times, a large number of Michigan’s municipalities and some of the manufactured housing residents have long argued that the State’s laws regarding taxing and regulating the parks have not.

The Specific Tax on Manufactured Housing

In 1959, Michigan began taxing mobile homes in mobile home parks at the rate of $3 per month; 46 years later, the rate has not been increased. Michigan’s cities, counties, and townships often point out that the cost of providing services to manufactured housing parks increases each year, yet the local units receive only $1 per month from each manufactured home within their borders to supply roads, police, and fire protection. (The remaining $2 is allocated to the State School Aid Fund.) The $3-per-month specific tax applies only to those manufactured homes on rented lots in manufactured housing communities. Manufactured homes that sit on individually owned lots are subject to the ad valorem property tax in the same manner as traditional site-built homes are taxed.

Some people contend that the State’s current system for taxing the homes was never intended to cover the type of manufactured housing that exists today. When the tax was first implemented, it was designed to tax units in so-called trailer coach parks, where it was assumed that residents were transients and would hook their trailers up to their cars and drive off after only a few months of residency. Today’s manufactured housing parks are rarely transient communities, with residents living in multisection homes that have been bolted to foundations and sit on lots that often feature such amenities as decks, sheds, and garages.

Manufactured housing may provide the only affordable housing in many communities, but there has long been a stigma attached to mobile homes and municipalities regularly have fought to exclude them. Indeed, the Michigan Manufactured Housing Commission was established in 1976 in an effort to prevent cities and townships from enacting overly restrictive zoning ordinances to keep manufactured housing out of their communities. The tax disparity between manufactured homes and traditional site-built homes has exacerbated the problem in recent years.

During Senate committee hearings on proposed changes to the specific tax, a number of people testified that large-scale manufactured housing parks in their communities were leading to school crowding. They claimed that large parks can add hundreds of students to a school, yet their residents are not taxed when bond issues are passed to construct new
facilities. Reportedly, this has contributed to crowded schools in some communities where residents living in site-built homes refuse to support bond issues to construct needed classroom space, because the perception is that the space will be filled by manufactured housing residents.

A New Specific Tax

While local governments have argued for some time that the tax rate for manufactured housing is inadequate to support the services the housing receives, repeated efforts to tax the homes based on their value have not been successful. During the 2003-04 legislative session, several bills proposed either to tax manufactured housing on a modified ad valorem system, or to increase the monthly specific tax. Differing versions of legislation to establish a new monthly specific tax (House Bill 4880) passed the Senate and the House of Representatives but neither was enrolled. In one version, the proposed tax would have gradually increased the amount a manufactured homeowner paid until it reached $12 per unit for single-wide homes and $14 per unit for a double-wide unit in 2014. This was promoted as a compromise between the current tax and an ad valorem system. It was strongly opposed by the manufactured housing industry, park residents, and cities and townships. Although the proposed tax would have increased the tax revenue for cities and townships, local governments opposed the flat monthly tax on the ground that it would be difficult to raise the amount in the future, whereas an ad valorem tax would increase revenue as the value of manufactured housing in a community grew.

In January 2005, Senator Raymond Basham reintroduced two of the unenacted manufactured housing taxation bills from the 2003-04 session. Senate Bills 106 and 107 would amend the General Property Tax Act and Public Act 243 of 1959 (regulating trailer coach parks), respectively, to tax manufactured housing through an ad valorem system. Senate Bill 106 would assess homes in manufactured housing parks as real property under the General Property Tax Act. Senate Bill 107 would levy a specific tax based upon a percentage of a manufactured home’s assessed value. Both bills would repeal the current specific tax on manufactured housing.

Those involved in crafting the legislation contend that Michigan is the only state in the country where manufactured housing is assessed a flat-fee tax rather than a tax based upon a home’s value. Other states use different approaches to a value-based system for taxing manufactured housing. Typically, they tax the homes under the same ad valorem system applied to traditional site-built homes, using either the manufactured home’s assessed value or some percentage of that amount to determine the tax owed.

While manufactured housing is not subject to the general property tax, representatives of the manufactured housing industry say that the residents are paying their fair share of State taxes. They point out that manufactured housing sales are subject to the Michigan sales tax each time a unit is sold and that the purchaser receives no credit for that amount when paying his or her specific tax or income tax.

Additionally, the industry argues that manufactured housing parks are not eligible for the general property tax’s homestead exemption and so are taxed at the full 18 mills. Therefore,
although owners of manufactured housing are not directly paying the property tax, they are taxed indirectly through the higher lot rents they pay to allow park owners to recoup their higher property tax bill.

Most manufactured homeowners are adamantly opposed to any change in the current tax system, but some organizations believe that an ad valorem property tax system could help the owners of manufactured housing. Those groups, such as the Manufactured Home Owners Legislative Association of Michigan (MOLA) contend that homeowners should support the ad valorem tax because it would protect low-income residents from paying an increased tax, since the ad valorem tax levied on a home valued at only a few thousand dollars would be significantly less than the proposed increases to the specific taxes. An ad valorem tax also could end the commonly held perception that residents living in upscale manufactured housing are not paying their fair share of taxes.

Proponents of the ad valorem tax believe that simply raising the specific tax would not be fair because a person living in a $3,000 mobile home would end up paying the same amount of tax as someone living in a $100,000 home with a garage and deck. Currently, the owners of manufactured homes pay property taxes on improvements to the land, such as garages, porches, and decks. One version of House Bill 4880, however, would have stopped taxing those improvements as real property, and the owners of many upscale manufactured homes actually could have ended up paying a smaller amount under the increased specific tax.

Other Taxation Concerns

During Senate committee testimony discussing proposed alterations to the specific tax on manufactured housing, industry representatives repeatedly argued that the tax would hurt their trade, which already is experiencing financial difficulties. With many potential buyers of manufactured housing units now able to afford home mortgages due to current low interest rates, there are fewer buyers available to buy manufactured housing, they claimed.

The $36 annual tax on manufactured housing located in parks has been a major selling point for residents concerned about their tax bills, and the industry is worried it may lose its customers to other forms of housing if there is a change in the tax. According to both manufactured housing residents and the industry, many developments that used to have waiting lists now have a significant number of empty lots for which they cannot find tenants.

Manufactured housing residents also have a vested interest in seeing the parks survive and stay profitable. If park owners believe that they can make more money by using their property for other purposes, such as construction sites for condominiums, it is entirely possible that the park owners will get out of that business, leaving homeowners without sites to rent.

Regulatory Issues

Taxation issues received most of the attention when it came to manufactured housing legislation introduced during the 2003-04 session, but several proposals would have given local governments more control as to the regulation of the parks themselves. Two of the bills
were reintroduced in 2005 by Senator Basham as Senate Bills 108 and 109. Senate Bill 108 would amend a section of the Single State Construction Code Act authorizing the State Construction Code Commission to examine plans and specifications submitted to a local enforcing agency or governmental subdivision to determine their compliance with the Code. The bill states that this section would not prevent a governmental subdivision from conducting inspections or reviewing the site plans of mobile home parks.

Senate Bill 109 would amend a section of the Mobile Home Commission Act that requires a local unit of government to submit to the Commission a proposed standard related to mobile home parks that is higher than the statutory standard. Under the bill, a local zoning ordinance would not be subject to this requirement or reviewable by the Mobile Home Commission. The bill also would require the local unit of government containing a mobile home park, rather than the State, to conduct annual park inspections.

Currently, the Manufactured Housing Commission regulates the licensing and issuance of construction permits for mobile home parks and establishes standards for roads, utilities, open space, recreational facilities, and safety measures in a park. The Commission may refuse to enforce local zoning regulations in manufactured housing communities if it deems them too restrictive.

Most states have mobile home or manufactured housing commissions to handle consumer protection issues, but Michigan is the only one that authorizes its manufactured housing commission to address planning issues, according to a representative of the Michigan Township Association. Reportedly, the Commission exercises this authority by, for example, regularly refusing to allow communities to regulate the width of roads in a park or allowing parks to be constructed with only one entrance, both of which could affect the ability of emergency workers to reach the park.

According to the executive director of the Michigan Manufactured Housing Association, however, the Commission’s broad authority is the primary reason that manufactured housing developments are still profitable in the State. Evidently, the Commission originally was formed because communities were placing so many conditions on manufactured housing developments that they were being effectively zoned out of the State. Arguably, if local governments are given more control over the process, they could begin imposing unreasonable restrictions again.

Supporters of giving local governments a hand in the inspection of manufactured housing communities claim that the State’s current budget crisis has led to fewer park inspections because the inspectors are responsible for too many developments. Allegedly, owners who violate the rules are rarely caught.

Resident Rights

Another issue that received legislative attention during the 2003-04 session concerned the rights of residents of manufactured housing parks. The House of Representatives and the Senate passed different versions of House Bill 4868, which proposed the “Manufactured Homeowners’ Residency Act".
Key provisions of the bill would have prohibited the owners and operators of manufactured home parks from taking certain actions against their tenants, including: denying a park resident the right to sell a manufactured home within the park if he or she complied with park regulations; prohibiting the placement of “for sale” signs on a manufactured home; prohibiting the placement of political yard signs on home sites; and prohibiting a resident from organizing a homeowners’ association. The bill also would have required a park owner or operator to give residents a 30-day notice before increasing a fee, charge, or other type of assessment related to park residency. In addition, the bill proposed civil fines and remedies.

Due to the semipermanent nature of today’s manufactured housing, most owners who purchase a home in one community cannot easily afford to move it to another. According to some residents, park rules that limit owners’ ability to sell their homes are more onerous than when the homes actually were mobile. Since many park owners also are in the business of selling homes to prospective tenants, the parks arguably have an incentive to make it difficult for current tenants to sell their own homes. Residents also complain that parks owners and operators commonly resist attempts to form homeowners’ associations geared toward improving their communities.

The manufactured housing industry opposed the legislation. According to industry representatives, the rights of manufactured homeowners already are clearly laid out in the Mobile Home Commission Act. Also, park owners are required to follow Michigan’s landlord-tenant laws. In addition, some people objected to the bill because it would have placed no limit on the number of homeowners’ associations that could be formed in any one community.

To date, this legislation has not been reintroduced in the House or the Senate.