Local Mandate Fiscal Impact Estimate
Kentucky Legislative Research Commission
2017 Regular Session

Part I: Measure Information

Bill Request #: 992

Bill #: HB 270 HCS

Bill Subject/Title: AN ACT relating to manufactured housing

Sponsor: Representative D. J. Johnson

Unit of Government:						
	x	City	x	County	x	Urban-County
	x	Charter County	x	Consolidated Local	x	Unified Local Government

Office(s) Impacted: Office of the county clerk and city clerk; sheriff's office

Requirement: x Mandatory ___ Optional

Effect on
Powers & Duties: ___ Modifies Existing x Adds New ___ Eliminates Existing

Part II: Purpose and Mechanics

The purpose of HB 270 is to provide a statutory mechanism by which an owner of a manufactured home (also known as a mobile home) that has been converted to real estate may sever the manufactured home from the real estate. Current law at KRS 186A.297 provides that an owner of a manufactured home that is to be permanently affixed to real estate may submit an affidavit of conversion to real estate and surrender the certificate of title to the manufactured home to the county clerk of the county in which the real estate is located. The county clerk then records the affidavit of conversion in the miscellaneous record book in the clerk's office, and furnishes a copy of the affidavit to the property valuation administrator, to be added to the county tax rolls. HB 270 would create a new section of KRS Chapter 186A to provide that an owner of a manufactured home that has been converted to real estate may sever the manufactured home from the real estate by filing an affidavit of severance with the clerk of the county in which the affidavit of conversion took place and where the real estate is located.

HB 270 HCS retains the original provisions of the bill and adds the following provisions relevant to this analysis:

HB 270 HCS includes an eight ($8) dollar fee to the county clerk for his or her services under the bill. The bill would also award the greater of actual damages or $500 to a first lien holder, or if none, to the county clerk, for the owner's failure to remove the manufactured home from the property within 90 days. HB 270 HCS also includes a provision that would hold the county clerk harmless if the clerk is provided inaccurate or fraudulent information in the affidavit of severance process.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The fiscal impact of HB 270 HCS on local government offices is likely to be minimal

The creation of a new document that must be recorded and indexed in the county clerks' electronic system could increase recording and indexing system costs of, for example, computer scanning, additional storage, new software and leasing of software rights, perhaps additional training of staff. HB 270 HCS provides a mandatory fee of eight ($8) to help defray these additional costs. The potential to recover damages or a $500 fine payable to the county clerk should discourage fraudulent filing of severance affidavits as well as provide a revenue source, though a small and unpredictable one.

Severing manufactured homes from the real estate could also affect city and county property values and tax revenues. While a mobile home not held for re-sale by a dealer is taxed as real property whether it has been converted to real property or not, mobile homes not attached to real estate tend to lose value more quickly than when attached to real estate and so would reduce the assessed value to be taxed by the county or city. The impact on local tax revenue would depend on how many converted manufactured homes are located in the jurisdiction, and how many property owners chose to sever the manufactured home from the real estate.

It seems likely that the greater the number of manufactured homes in a jurisdiction the greater the potential fiscal impact of the bill. In Leslie County, Kentucky, population 11,019 and 404 sq. mi. in area, there are currently 133 manufactured homes converted to real estate; in Pike County, population 63,000 and 789 sq. mi. in area, from 2001 to 2016 approximately 604 manufactured homes were converted to real estate. Lowered property values and reduced property tax revenue would also have a fiscal impact on the county sheriff's office. The county sheriff collects the property taxes assessed by the local jurisdiction and retains a portion of the taxes it collects for expenses of running the sheriff's office. Lower property values would reduce the taxes collected by the sheriff and so reduce the amount of revenue available to defray office expenses.

Data Sources: National Archives, *Analysis of Costs and Benefits for ERM/ERK* [electronic records management/electronic recordkeeping] *Projects;* Kentucky County Clerks Association; county clerks; Kentucky Revised Statutes

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 2/24/17