



Information Release

ST 2001-02 - Manufactured Homes, Mobile Homes and Industrialized Units - Revised January 1, 2001

Senate Bill 142 made several tax law and title law changes effective **January 1, 2000**. Some of the changes affect the tax liability on manufactured and mobile homes and the method of paying sales and use tax.

Manufactured Homes or Mobile Homes

A new manufactured home or new mobile home begins life with a Manufacturer's Statement of Origin (MSO) and must be titled as a motor vehicle under Ohio motor vehicle title law. A used manufactured home or used mobile home is one that has been or should have been previously titled in the name of the ultimate consumer (someone other than a new motor vehicle dealer licensed to sell new manufactured and/or mobile homes). A selling dealer must obtain title in the purchaser's name in the purchaser's county of residence.

New Manufactured Homes or Mobile Homes

- Dealers are considered to be the consumer of all **new** manufactured or mobile homes sold to the ultimate consumer. For sales and use tax purposes, the "ultimate consumer" is someone other than a new motor vehicle dealer licensed to sell new manufactured and/or mobile homes.
- Dealers will **no longer** collect sales and use tax from their customer as they did prior to January 1, 2000. Dealers, however, now owe sales and use tax based on **their cost** of the **new** manufactured or mobile home based on the total tax rate in effect in the **county where titled to the purchaser** (purchaser's county of residence, regardless of where the new manufactured or mobile home will be located). Dealers become liable for the tax when they sell a **new** manufactured home or mobile home to the ultimate consumer. This occurs when the ultimate consumer takes delivery of the manufactured home, when the dealer receives payment for the manufactured home or when the customer receives financing for the manufactured home, **whichever is earliest**.

SPECIAL NOTE

Use tax does not apply when a new manufactured home or mobile home is being sold to the United States government or to the State of Ohio or any of its political subdivisions.

- While dealers cannot charge sales or use tax to the purchaser, they may recover the taxes paid by them by increasing the "price" charged the purchaser for the new manufactured home or mobile home. For example, if a dealer purchases a unit for \$50,000 and sells it to a customer who lives in Cuyahoga County (7%), the dealer's base cost is now \$53,500. Therefore, the dealer would determine the selling price using \$53,500 as the base cost of the unit.
- A dealer's tax liability is **not** be paid to the Clerks of Courts when title is obtained for the customer but it will be paid directly to the Treasurer of State of

Ohio with the filing of a consumer's use tax return (Form UT 1014). Consumer's use tax returns are filed on a monthly or quarterly basis with the return and tax payment due (received by the Treasurer of State) by the twenty-third day of the month following the reporting period. If a dealer does not already have a consumer's use tax account with the Department of Taxation, the dealer must complete and submit an application (Form UT 1008) which can be obtained from any office of the Department of Taxation or off the website <http://tax.ohio.gov/>.

Used Manufactured Homes or Mobile Homes

If a dealer sells a **used** manufactured home or mobile home, the dealer does not owe sales or use tax on the acquisition cost of the **used** manufactured home or mobile home and sales and use tax would not be charged on the sale. The transfer of ownership of a **used** manufactured home or mobile home may be subject to a transfer tax. Please contact the purchaser's County Auditor for more details.

Accessories

- If a dealer includes skirting, awnings, interior cabinetry, dishwasher, trash compactor, range, refrigerator and/or other accessories and attachments that are permanently attached to or incorporated as part of the new manufactured or mobile home that is being sold, the dealer is the consumer of these items and would owe tax on the dealer's cost. If the tax is not paid to the supplier at the time the items are purchased, the tax must be paid along with the tax on the new manufactured or mobile home.
If a dealer is also selling other accessories (i.e., beds, couches, chairs, tables, lamps) that are not permanently attached to or incorporated as part of the new manufactured or mobile home, the dealer is a vendor/seller of these items and must collect sales or use tax based on the tax rate in the county where the sale is consummated. This tax is to be reported and paid to the Treasurer of State under a vendor's license.
- If a dealer is separately charged a deposit by the manufacturer, re-manufacturer, distributor or other new manufactured home dealer for wheels and axles used in the transportation of the home that are to be returned to the manufacturer, re-manufacturer, distributor or other new manufactured home dealer, the deposit amount is not subject to use tax to the extent that the deposit actually is refunded. The deposit amount **must** be separately stated on the invoice or billing rendered to the dealer.

Repairs

- A person performing repairs or improvements to a manufactured or mobile home or to the permanently attached accessories on or after January 1, 2000 is considered the consumer of all property used in the performance of the repairs or improvements. Sales and use tax is due on the cost of these items and, if not paid to the supplier at the time of purchase, must be paid on a consumer's use tax return. Tools, equipment and/or miscellaneous supplies used in making repairs are also subject to the sales or use tax.
- A person performing repairs to accessories (i.e., beds, couches, chairs, tables, lamps, TV's, stereos) that are **not** permanently attached to the manufactured or mobile home is making retail sales and must charge/collect sales tax on the repair parts and labor. This tax is to be reported and paid on a sales tax return. Again, tools, equipment and/or miscellaneous supplies used in making repairs are subject to the sales or use tax.

Installation Charges

- Effective January 1, 2000, charges for installing new or used manufactured homes or mobile homes sold on or after January 1, 2000 or for the installation of permanently attached accessories are not subject to Ohio sales or use tax. If a dealer or subcontractor purchases accessories that will be permanently attached to real property or a manufactured or mobile home, the dealer or the subcontractor is considered the consumer of these items and would owe Ohio sales or use tax on the purchase price. Tools, equipment and/or miscellaneous supplies used in installing manufactured or mobile homes and/or permanently attached accessories are subject to the sales or use tax.
- Charges for installing items that are **not** permanently attached accessories continue to be subject to Ohio sales or use tax. Again, tools, equipment and/or miscellaneous supplies used in installing manufactured or mobile homes and/or permanently attached accessories continue to be subject to the sales or use tax.

Out-of-State Dealers/Sellers

If an out-of-state dealer sells new manufactured and/or mobile homes and delivers these homes to an Ohio location for set-up, the dealer is the consumer of these homes (plus any permanently attached accessories) and would owe Ohio use tax on the cost of the homes and/or permanently attached accessories. The out-of-state dealer would report and pay this tax under an Ohio consumer's use tax account as previously described in this release. If an out-of-state dealer has nexus with Ohio and sells accessories that are not permanently attached to the manufactured or mobile home, the dealer would be required to collect and remit Ohio use tax on the sale of these accessories. The tax base would be the selling price and the dealer would collect tax at the rate in effect in the customer's county. Any out-of-state dealer with nexus with Ohio must be registered as an out-of-state seller with the State of Ohio, Department of Taxation.

If an out-of-state dealer makes repairs to manufactured/mobile homes, permanently attached accessories and/or accessories that are not permanently attached, the dealer would owe (or be required to collect and remit) tax as previously described in this release under the "repairs" section.

Industrialized Units

(Modular Home)

An "industrialized unit" does **not** start out with a Manufacturer's Statement of Origin (MSO); therefore, it is not titled as a motor vehicle. The installation of this type of unit is **always** considered a construction contract and the "contractor" is liable for payment of the sales or use tax on the purchase price of the unit.

- If a manufacturer of an industrialized unit is acting as a seller and installer of industrialized units (no "dealer" involved), the manufacturer is considered a construction contractor and owes Ohio sales/use tax on the cost of materials used to produce the unit.

If a manufacturer of industrialized units sells units to dealers who **never** install (or **never** arrange for installation of) the units, the manufacturer should obtain exemption certificates from the dealers indicating "resale" as the dealers' claim for exception from payment of sales or use tax. The dealer will then be responsible for collecting and remitting sales or use tax when the units are sold

to contractors who install (or arrange for installation of) the units.

If a manufacturer of industrialized units sells units to dealers who always sell **and** install (or arrange for installation of) the units, the manufacturer should collect sales or use tax from the dealer based on the selling price of the units. The dealers do not "collect and remit" sales tax from purchasers, but the dealers recover the taxes paid by incorporating the taxes paid in the amount charged for the installed units.

If a manufacturer of industrialized units sells units to dealers who **may or may not** install (or **may or may not** arrange for installation of) the units, the manufacturer should collect sales or use tax unless the manufacturer is given exemption certificates from the dealers indicating "resale" as the claim for exemption. The dealers collect and remit sales or use tax on those units when the dealers do not install (or arrange for installation of) the units or the dealers would remit use tax on the purchase price of those units that the dealers install (or arrange for installation).

If a dealer enters into a contract with the buyer to incorporate an industrialized unit into real property, the dealer has entered into a construction contract. If the dealer purchases (accepts ownership of) the industrialized unit before or during installation, the dealer owes sales/use tax to the supplier (manufacturer or another dealer) on the dealer's acquisition cost. If the dealer sub-contracts the **provision and installation** of the industrialized unit to the manufacturer (dealer never accepts ownership of the industrialized unit), the dealer is acting as a prime contractor and the manufacturer is acting as a sub-contractor. In this case, the manufacturer owes sales/use tax on the cost of materials used to produce the unit if the unit is custom built for the job or the produced cost if the unit is taken from an inventory that was previously produced for sale.

If the dealer sells an industrialized unit to an individual who will install or sub-contract installation of the unit onto a foundation, the dealer may claim the "resale" exception on the purchase of the unit. The dealer then collects sales or use tax from the purchaser (based on the selling price) and remits this tax directly to the State of Ohio under a vendor's license. If the dealer is located outside of Ohio and is registered with Ohio as a collector of use tax, the dealer would collect use tax (based on the rate in effect where the unit is delivered to the purchaser) from the purchaser and remit the tax directly to Ohio under a seller's use tax account. If a dealer is located outside of Ohio and is not registered as a collector of Ohio use tax, the purchaser of the unit (typically the contractor) would owe use tax (based on where delivery of the unit is taken) and this tax would be paid directly to Ohio under a consumer's use tax account.

- If the dealer is selling and installing (or arranging for installation of) an industrialized unit from an inventory of purchased units, the dealer is acting as a construction contractor and owes tax on the dealer's acquisition cost. The dealer should pay the tax to the supplier if the dealer is purchasing the unit specifically for installation or the dealer can remit use tax directly to the State of Ohio (based on the rate in effect in the county where delivery is taken or where the unit is installed, whichever is greater) if the unit is taken out of inventory, which is being held for sale.

If you have any questions regarding this matter, please feel free to contact us by calling 1-888-405-4039.

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Phone: 1-800-750-0750

http://tax.ohio.gov/divisions/communications/information_releases/st200102.stm