

State of Arkansas
77th General Assembly
Regular Session, 1989
By: Senator Yates

S.R. 6

SENATE RESOLUTION

REQUESTING THE JOINT INTERIM COMMITTEE ON REVENUE AND
TAXATION TO STUDY A PROPOSAL FOR SALES TAX REDUCTION ON THE
SALE OF MANUFACTURED HOMES.

WHEREAS, today's manufactured home offers an acceptable safe and affordable alternative for meeting the housing needs of a majority of Arkansans; and

WHEREAS, in 1986, the average construction cost per square foot for a site built home, excluding land cost was \$49.05 while the cost per square foot for a manufactured home was less than half, \$22.08; and

WHEREAS, nationally, only about 10% of Americans who are of prime home buying age can qualify for a new home loan and most can qualify for a new manufactured home loan; and

WHEREAS, manufactured homes have played an important role in increasing the housing stock in Arkansas since the early 1970's, growing an astounding 177% while site built homes grew by only 32% in the same period; and

WHEREAS, under the current sales tax structure, only the materials used in construction is taxed on a site built home while the total price is taxed when a manufactured home is purchased by the consumer; and

WHEREAS, most states surrounding Arkansas recognize this inequity and have enacted sales tax parody for manufactured homes, and although a number of methods could be used to achieve sales tax parody the simplest to implement seems to be reducing the total sales tax on the home at the time of purchase; and

WHEREAS, the 45% sales tax reduction seems to be the acceptable percentage since only the material used in constructing a site built home is taxed; and

WHEREAS, the single-wide manufactured homes represent the majority of homes sold in Arkansas, 80%, with an average retail cost of \$17,800.00, and

reducing the sales tax by 45% would save the purchaser \$370.40; and

WHEREAS, since the sales tax is a financiable item, and most consumers cannot afford to pay the sales tax when the home is registered, reducing the amount to be financed would allow finance companies to qualify more easily the low and moderate income individual in addition to relieving a portion of the tax burden.

NOW THEREFORE,

BE IT RESOLVED BY THE SENATE OF THE SEVENTY-SEVENTH GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

THAT the Joint Interim Committee on Revenue and Taxation is requested to conduct a study on a proposal for sales tax reduction on the sale of manufactured homes as follows: (1) eighty-five (85%) percent of the retail sales price would be taxable on new manufactured homes sold in this State for one year, (2) seventy-five (75%) percent of the retail sales price would be taxable on new manufactured homes sold in this State for the second year, (3) sixty percent (60%) of the retail sales price of new manufactured homes sold in this State for the third year, and (4) fifty-five percent (55%) of the retail sales price of new manufactured homes sold in this State during the fourth year.