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**Bulletin Number 2016-01
Assessment of Mobile Homes**

TO: Assessors of Property
FROM: Stephanie Maxwell, General Counsel *SM*
DATE: April 7, 2016
RE: **COMMERCIAL V. RESIDENTIAL ASSESSMENT OF MOBILE HOMES**

This bulletin addresses best practices for consistency in the assessment of mobile homes and mobile home parks.

House trailers, mobile homes, and all other similar movable structures used for commercial, industrial, or residential purposes are assessed as real property as improvements to the land where located based on Article II, Section 28 of the Tennessee Constitution. Tenn. Code Ann. § 67-5-802(a)(1) provides that “[a]ny movable structure and appurtenance that is attached to real property by virtue of being on a foundation, or being underpinned, or connected with any one (1) utility service, such as electricity, natural gas, water, or telephone, shall be assessed for tax purposes as real property as an improvement to the land where located.” Tenn. Code Ann. § 67-5-501(6) defines a “movable structure” to include:

any mobile home or such other movable structure that is constructed as a trailer or semitrailer and designed to either be towed along the highways or to be parked off the highways, and that may be used, temporarily or permanently, as a residence, apartment, office, storehouse, warehouse or for any other commercial or industrial purpose; but does not include self-propelled vehicles, sleeping and camping facilities attached to, or designed to be attached to, or drawn by a pick-up truck or an automobile, and that contains less than three hundred square feet (300 sq. ft.) of enclosed space.

If the mobile home is on a rented lot, the owner of the mobile home is responsible for the additional property taxes imposed by reason of the improvement. The owner of the land actually pays the tax and is granted a first lien against the mobile home to secure payment of the property tax from the mobile home owner. The lien is not a tax lien but is to be considered as a statutory lien in favor

of the landowner. *Belle-Aire Village, Inc. v Ghorley*, 574 S.W.2d 723 (Tenn. 1978). Each year, assessors should provide a schedule to owners of mobile home parks (i.e., three or more lots).

The Tennessee Constitution also requires that residential property containing two or more rental units is to be assessed as industrial and commercial property. Tenn. Const. Art. II, § 28; Tenn. Code Ann. § 67-5-501(10). The constitutionality of taxing real property containing two or more rental units based on forty percent of its value as industrial and commercial property while taxing real property containing one rental unit based on twenty-five percent of its value as residential property has been upheld as a reasonable classification even though discrimination exists. *Snow v. City of Memphis*, 527 S.W.2d 55 (Tenn. 1975), *appeal dismissed* 423 U.S. 1083 (1976).

In short, property (whether that is the land, any improvements to the land such as a deck, or the mobile homes) owned by a mobile home park owner should be taxed as commercial property pursuant to Tenn. Code Ann. § 67-5-502(a)(1), 67-5-501(4), and 67-5-501(10). Property that is owned by an individual owner of a mobile home and used for residential purposes should be taxed as residential property.

The important factor here is the question of who owns the property. For example, if the mobile home park owner owns the land and the mobile homes and leases the property as rentals, then all of the property should be taxed as commercial property. However, if the mobile home park owner owns the land and leases only the land (or leases the land and other improvements, such as a deck) and the renter of that land brings his or her own mobile home, then the land and any improvement should be taxed as commercial property and the mobile home that is used for residential purposes should be taxed as residential property.

Please feel free to contact your Division of Property Assessments' area office for further guidance on this issue.