

**Manufactured Homes, Park Trailers, and Modular Homes**

Sales Tax Fact Sheet 150

Fact Sheet

**What's New in 2018**

We clarified when sellers are required to collect local sales taxes. See Local Sales and Use Taxes on page 3.

**Manufactured Homes (Mobile Homes)**

Manufactured homes (sometimes called mobile homes or trailer houses) are built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation. Manufactured homes have a manufacturer's certificate of origin and must be registered with the Minnesota Department of Public Safety, similar to motor vehicles. Although the wheels can be removed when the home is set up, the chassis must remain attached.

Sales or use tax applies to the first retail sale or use of a manufactured home in Minnesota for residential use.

Sales or use tax is due on 65% of the dealer's cost of the manufactured home. Compute sales tax at the rate of 4.469% (equivalent to 65% of 6.875%).

Manufactured homes used for offices or other non-residential purposes are subject to 6.875% sales or use tax on the full selling price.

Used manufactured homes previously taxed in Minnesota are exempt from sales or use tax when used for residential purposes.

**Applying the Sales Tax**

The sale of a manufactured home may be a retail sale or a construction contract, an important distinction when applying sales tax.

**Retail Sales**

A manufactured home that is sold without installation or is installed on land that is leased or rented by the customer (such as in a mobile home park) is a retail sale of tangible personal property. In this case, the dealer may buy the manufactured home exempt from sales tax by giving the supplier a completed Form ST3, *Certificate of Exemption*.

- Sales tax applies to the dealer's cost. The seller must charge 4.469% sales tax on their cost of the manufactured home. The cost to deliver the manufactured home to the dealer is included in the taxable amount. A customer trade-in will not reduce the price subject to tax.

If sales tax is not itemized separately, the customer invoice must include a statement that tax is included. The dealer must maintain records showing that the proper tax was paid to Minnesota.

- Separately stated charges to deliver the manufactured home from the dealer to the customer's location are not subject to tax because they are not part of the dealer's cost.

Dealers may purchase any additional items they provide to the customer with the sale of the manufactured home exempt for resale. Examples include:

- air conditioners
- appliances
- blocks
- furniture
- skirting
- window treatments
- other similar items

If the items are not included in the base price subject to the 4.469% tax, separately state the items on the customer's invoice and apply the 6.875% sales tax those items.

### **Construction Contracts**

When a contract calls for installing the manufactured home on land owned by the customer, it is a sale of real property if the contract requires that the unit be:

- connected to water and sewer facilities and attached to a permanent foundation, or
- attached to the land like other property in the taxing district

For sales of manufactured homes installed onto real property, the 4.469% sales or use tax applies to the dealer's or contractor's cost of the manufactured home, including the delivery charge.

However, any additional building materials or supplies used to install the manufactured home are subject to the 6.875% sales or use tax.

The contractor is responsible for paying the tax. This tax expense is passed on to the customer as part of the materials cost but should not be itemized separately on the customer's invoice.

For more information, see the Contractors and Other Property Installers Industry Guide.

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### **Park Trailers (Park Models)**

A park trailer is a trailer used as temporary living quarters. It is more than 8 1/2 feet wide in travel mode but not more than 400 square feet when fully extended or at maximum width.

New and used park trailers are subject to the 6.875% sales or use tax on 65% of the full selling price, including delivery charges. Charge the 4.469% sales tax on sales of park trailers.

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### **Modular Homes (Prefabricated Homes)**

Modular homes, also called prefabricated homes, are generally custom built in a manufacturing plant in sections.

Modular home means a building or structural unit that has been substantially manufactured or constructed, in whole or in part, at an off-site location, with the final assembly occurring on-site alone or with other units and attached to a permanent foundation site and occupied as a single-family dwelling.

A modular home does not include a manufactured home or a structure subject to the requirements of the National Manufactured Home Construction and Safety Standards Act of 1974.

For sales before July 1, 2016, the reduced tax rate previously described for manufactured homes **does not apply** to modular homes, since they do not meet the definition of manufactured homes.

#### **Retail Sales**

A manufacturer or dealer who doesn't install the modular home on the foundation is making a retail sale of tangible personal property. In this case, the dealer may purchase the modular home and other building materials exempt from sales tax by giving the supplier a completed Form ST3, *Certificate of Exemption*.

For sales before July 1, 2016, charge 6.875% sales tax on the full selling price, including delivery charges, to the customer for the modular home and any building materials sold.

A sale where the dealer or manufacturer only *supervises* the installation of the modular units on a foundation is a retail sale.

**Starting July 1, 2016**, modular homes are subject to 6.875% sales tax on 65% of the manufacturer's sales price, for an effective rate of 4.469%. A dealer may buy the modular home exempt from sales tax using Form ST3, *Certificate of Exemption*.

When selling a modular home, the dealer should charge sales tax on 65% of their purchase price (which is the manufacturer's sales price).

This new rate also applies to retail sales of modular homes ordered before July 1, 2016, but delivered on or after that date. For more information, go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and type **transitional period sales** into the Search box.

### **Construction Contracts**

A manufacturer or a dealer who contracts to install the modular homes on a foundation is a construction contractor.

For sales before July 1, 2016, the contractor must pay the full 6.875% sales or use tax on the total cost of the modular homes and all materials used to attach the units to the foundations.

If the contractor is also the manufacturer, the tax applies only to the cost of materials used to manufacture and install the modular units. This tax expense is passed on to the customer as part of the materials cost. Do not itemize this separately on the customer's invoice.

For more information, see the Contractors and Other Property Installers Industry Guide.

**Starting July 1, 2016**, when a modular home is installed into real property, sales tax applies to 65% of the manufacturer's sales price. The contractor is responsible for paying sales tax on any additional building materials or supplies used to install the home at a rate 6.875% sales tax on the full purchase price.

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## **Local Sales and Use Taxes**

If you are located in or make sales into an area with local tax, you may owe local sales or use tax. For more information, see the Local Sales and Use Taxes Fact Sheet.

Sales of manufactured homes, park trailers, and modular homes are sourced to the site where the housing is first set up or installed. The tax rate in that location applies to the sale, including the state sales tax and any local taxes.

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## **Reporting Sales and Use Tax**

Report state and local sales and use taxes electronically at [www.revenue.state.mn.us](http://www.revenue.state.mn.us), or by phone at 1-800-570-3329.

You need a mobile homes tax line to properly report retail sales of manufactured homes and park trailers.

- If you file your sales tax return online and do not have the mobile homes tax line, you can "Add a sales tax type" prior to filing your return.
- If you file by phone, call 651-282-5225 or 1-800-657-3777 to register for the mobile homes tax line.

### **Manufactured Homes**

#### **Retail sales**

The dealer's cost is reported as Mobile home sales on the Sales and Use Tax return. If the sale is subject to a local tax, report 65% of the dealer's cost on the appropriate local tax line and then multiply that amount by the applicable local tax rate.

#### **Construction Contracts**

The installer owes 4.469% sales or use tax on the installer's cost of the home. If the installer didn't pay sales tax at the time of purchase, report use tax on the Sales and Use Tax return. Enter the total purchase price as Variable rate purchases. Then multiply that amount by the 4.469% rate.

Local tax applies to 65% of the dealer's cost of the manufactured home. Multiply the dealer's cost by 65% and enter the result as the taxable amount on the appropriate local use tax line. Then multiply the amount by the full local tax rate.

Report the full 6.875% use tax on any other materials or supplies used to install the home as Use Tax Purchases.

#### **Park Trailers**

Sales of park trailers are reported as Mobile home sales when filing your return.

#### **Modular Homes**

Starting with the July 2016 Sales and Use Tax Return, follow the taxing guidelines for manufactured homes (at left) and report the tax as outlined below.

**Retail Sales**

Report retail sales of modular homes as General rate sales on your Sales and Use Tax return.

**Construction Contracts**

If sales tax is not collected by the seller, the contractor must pay use tax directly to the state. Use tax on modular homes or other building material is reported as Use Tax Purchases on the Sales and Use Tax return.

**Legal References**

Minnesota Statute 168.002, subd. 16, Manufactured home

Minnesota Statute 297A.62, subd. 3, Manufactured housing and park trailers

Minnesota Statute 297A.67, subd. 20, Manufactured homes

Minnesota Statute 297A.668, subd. 8, Sourcing of sale; Manufactured and modular housing

Minnesota Statute 297A.99, Local Sales Taxes

Minnesota Statute 327.31, subd. 6, Manufactured home

**Minnesota Rules**

8130.9100, Sales and rentals of mobile homes and house trailers

**Minnesota Laws 2016**

Chapter 189, Article 14, Section 2

**Fact Sheets**

Local Sales and Use Taxes

Use Tax for Businesses

**Industry Guides**

Contractors and Other Property Installers