Some Questions Answered About Oregon Tax Credits for Manufactured Home Owners Faced with Park Closure in Oregon

WARNING: This handout is general in nature and is not meant as legal or tax advice for your specific situation. Please consult your own attorney or tax advisor

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1. Who can apply for these Oregon tax credits?

a) Residents of an Oregon manufactured housing park (defined as having a minimum of four rental spaces) who both own and occupy a manufactured dwelling as their primary residence and whose home's fair market value is not more than $110,000; and

b) Whose household income for the year they move their home due to a park closure is $60,000 or less; and

c) Who move the home out of the park due to a written park closure notice from the park owner, and incur expenses moving the home (called an "involuntary move") to a new location; and

d) Who move their home between January 1, 2006, and December 31, 2007.

2. What kinds of credits are there and how do they work?

There are two kinds of tax credits available under HB 2389 (2005) (codified at ORS 316.153). Both have to do with Oregon income taxes, not federal taxes:

a) Refundable credits: Available for those whose household income is from zero up to double the 2005 federal poverty guideline for their household size (after doubling the poverty guideline, $19,140 a year for a one-person household, $25,660 for a two-person household, $32,180 for a three-person household, $38,700 for a four-person household, $45,220 for a five-person household, etc.). Although the federal poverty guidelines are updated every year by the U.S. Department of Health and Human Services, the standard for this credit is the 2005 guideline. For the 2005 guideline, see the web page at aspe.hhs.gov/poverty/05poverty.shtml.

You are entitled to a tax credit equal to your relocation expenses up to $10,000 when you file an Oregon tax form for the year you incur these expenses. If you have relocation expenses of less than $10,000 – say, for example, $7,500 – then your tax credit amount is the lesser amount, in this case, $7,500. If you have more than $10,000 in expenses, you will have to pay for the amount over $10,000 yourself. The credit is limited to $10,000 even if your expenses are greater than that.

You will claim the credit in the next calendar year after the move. For example, if you move your mobile home in 2006, you will claim the refundable tax credit when you file your Year 2006 Oregon tax return due April 16, 2007.

If you have no taxes to pay, you will receive a full refund for your relocation expenses up to $10,000. If you have taxes owed, you will receive a refund of any portion of the credit not used to pay your taxes.

In other words, if you qualify under this section and you owe little or no Oregon taxes, you will get a cash refund.

b) Non-refundable credits: Available for those whose household income is $60,000 or less but whose income is more than double the federal poverty level for their household size, as described in #2a above.

Like the refundable credits, you are entitled to up to $10,000 in relocation expenses, but these credits can only be used to lower the Oregon taxes you owe. You cannot get cash back for this credit.

For the non-refundable credit only, you are required to claim up to one-third of the credit for the tax year in which you move your home, and one-third of the credit in each of the two tax years immediately following. If you do not use all of your non-refundable tax credit in one of those three particular tax years, you can carry the unused amount forward for another five years from that tax year. (For example, the 1/3 credit allowed for tax year 2006 may be carried forward but must be used by tax year 2011. The 1/3 credit allowed for 2007 must be used by 2012. The 1/3 allowed for 2008 must be used by 2013.)

(You will not be able to reduce your taxes by the full amount of your relocation expenses if what you owe the State over that period is less than those expenses. For example, if you have expenses of $9,000 for moving your home in 2006, and your Oregon taxes over a period of the next eight years are a total of $7,500, you will only realize a credit for $7,500 for moving your home.)

3. What does "household income" mean?

"Household income" is the income listed on your tax return plus some income sources that are not taxed, such as social security income, disability income, welfare, and child support. According to state tax experts, household income is defined for this tax credit as adjustable gross income as reported on the federal income tax form plus additional income sources listed in ORS 310.630. For a list of what is and is not "household income," see the Oregon Department of Revenue's website at http://egov.oregon.gov/DOR/PTD/docs/checklist.pdf.

4. What are "relocation expenses"?

HB 2389 provides for "the actual cost of moving and setting up the mobile home." You cannot include as "relocation expenses" interest on loans you take out to pay for moving your home or moving your furniture, expenses incurred looking for a new site, or overnight stays in motels, meals, and the like while waiting for the home to be set up at the new location. Also, if the park owner helps you with your relocation costs, with an advance payment or reimbursement, that amount must be deducted from your "relocation expenses" amount. You must keep track of your relocation expenses, and retain documentation.

5. If I meet the requirements for the refundable tax credit but have no taxable income or owe no taxes, must I file to get the refund?

Yes.

6. How can I find another park to move to?

One source is to contact the Oregon Housing and Community Services Department (OHCS). OHCS is asking park owners statewide to provide it with the number of vacancies in their parks. OHCS plans to put this information on its web site at http://egov.oregon.gov/OHCS/CRD/OMDPCR/docs/ParkVacanciesCurrent.pdf. You may also call OHCS at (toll free) 1-800-453-5511 or (503) 986-2145.

Another option is to call and visit parks yourself to see if they have vacancies. You should be aware, however, that park owners have the right to deny your home from being placed in their parks if it or you do not meet their criteria.

7. Must I move my home to another park?

There is nothing in the law that states you must move to another park. If you are able to either purchase land or find another person willing to allow you to site the home on his or her property, you may do so. Be aware that local zoning laws may prevent you from doing so and that they vary from county to county and city to city. Also be aware that the permitting process may be lengthy. Be sure you consult with the appropriate local planning department before you move your home.

Note also that the new law says that local governments cannot prohibit placement of an "involuntary move" home in another park solely due to its age.

8. Must my move be to another site or park within Oregon?

No, you can move anywhere you want, but the credit is only available to people who file Oregon tax returns. If you qualify for the refundable credit, you can claim it no matter what state you live in – although you will have to file an Oregon tax return in order to get the credit. If you only qualify for the non-refundable credit, you can only use that to offset Oregon income taxes that you owe; if you move out of Oregon and you no longer owe Oregon income taxes, you will not be able to use this credit.

9. Am I eligible for either of these tax credits if I can't move my mobile home?

No. You can only apply for them if you move your home.

10. If I move my home before the park owner gives the closure notice, am I eligible for the tax credit?

No.

11. Must the park owner's closure notice be given in 2006 or 2007?

No. It could have been given before 2006. The involuntary move, however, must occur sometime in 2006 or 2007.

12. Can the park owner close only part of the park?

Yes, and if you receive a closure notice because your space is in the part to be closed, you are eligible for the tax credits.

13. Can I use this credit more than once, for example, if I own more than one home in a closing park (one for me and one for my mother) or if I make an involuntary move into a second park, which later closes too?

No. You may use the credit only once in your lifetime, no matter how many times you must move from a closing park. In addition, in the first example, you can only claim the credit for the home you both own and occupy, not the one your mother occupies.

14. If I don't have enough money to pay for moving my home, can I get a loan to do so?

Possibly. If you have good credit, own your home, and have other assets, you might be able to secure a loan from a private lender. You might also be able to refinance any mortgage you have on your current home. And some local nonprofits and community action programs are exploring ways to finance involuntary moves. Check with the resources listed at the end of this handout. However, the interest you pay on any loan cannot be considered a relocation expense.

15. What if I don't have the resources to move my home and can't secure a loan?

You have three choices—you can deed your home to the owner of your park if he or she accepts it, try to sell it, or give it away. If you give up ownership in your home to

the park owner before the closure date, you will be able to leave the park without having to continue to pay rent. If you try to sell or give it away, the new owners will need to move it out of the park. If you sell or give the home away to someone other than the park owner, you, as the old owner of the home, or the new homeowner will probably have to pay monthly space rent until it is removed.

16. Can I deduct my loss of the value of my home on my federal income tax form?

Possibly, under deductions for theft and casualty losses. A casualty loss is defined as "an identifiable event of a sudden, unexpected, or unusual nature." Whether that language covers the loss of your mobile home is open to interpretation. You should contact the IRS at www.irs.gov or call 1-800-829-1040. You may also want to talk with a tax consultant.

17. Who else can I talk to if I have questions or comments?

_ Oregon Housing and Community Services (OHCS), (toll free) 1-800-453-5511
_ Oregon Department of Revenue's website
http://egov.oregon.gov/DOR/PERTAX/mobile_credit.shtml.
_ Dawn Phillips, Chief of Staff for Representative Jerry Krummel, 503-986-1426
_ Manufactured Home Owners of Oregon, a tenants' association for mobile home owners (also called OSTA) at (toll free) 800-423-9371 or 503-393-7737
_ If you can't afford a lawyer, you can contact the Oregon State Bar at (503) 684-3763 or 1-800 452-7636 to find out what low or no cost legal services might be available to you.

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