



Town of Chino Valley Manufactured Building Tax Rate Analysis

June 2025

**This report proposes changes to the transaction privilege tax rate on manufactured buildings. This report is issued to meet the requirements of ARS §9-499.15.*

Background

The Town Council initially reduced the transaction privilege tax (TPT) rate on manufactured homes from 4% to 2% following a public hearing held on December 13, 2016. The reduced rate took effect on March 1, 2017. On April 9, 2019, the Council considered restoring the tax rate to 4%; however, the motion failed due to a lack of a second.

On March 25, 2025, the Council revisited the topic, reviewing the history of prior actions and general information related to the manufactured buildings tax rate. Council requested that the item be brought back for consideration of a potential increase. The matter was discussed again on April 22, 2025, with staff recommending an increase in the tax rate to 2.6%. At that time, Council requested the item be postponed to the May 13th meeting for further discussion. On May 13, 2025, Council approved the Notice of Intent and set a public hearing for August 26, 2025, to consider increasing the transaction privilege tax rate to 3.0% on manufactured building sales.

Financial Impact and Justification

Increasing the tax rate on manufactured buildings from 2% to 3% is expected to result in a moderate increase in annual tax revenue. The actual financial impact will depend on the volume and value of applicable transactions, which can vary year to year. While exact figures cannot be disclosed due to confidentiality requirements, the rate adjustment would align the Town's tax structure more closely with surrounding jurisdictions and provide additional revenue to support general government services.

This tax rate applies to businesses that sell manufactured buildings in Chino Valley. Specifically, it affects sales where the contract to purchase the home is first signed at a business location within Town limits. Even if the home is delivered or installed elsewhere, the sale is considered to have taken place in Chino Valley if that's where the buyer and seller finalized the agreement.

The tax is calculated based on the full sales price, including charges for site preparation, delivery, and setup. It does not apply to private-party sales or contracts signed outside of Town limits. Only licensed businesses engaging in the sale of manufactured buildings from a Chino Valley location are subject to this tax.

Regulatory Compliance

To implement these rate adjustments, the Town must comply with the requirements of A.R.S. §9-499.15, including issuing this report and following the prescribed process for modifying privilege tax rates.

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Current Rate and Applicable Tax Code

Town Code 32.25: MCTC Article IV Section 427. Manufactured Buildings. (a) The tax rate shall be at an amount equal to two percent (2%) of the gross income, including site preparation, moving to the site, and/or set-up, upon every person engaging or continuing in the business activity of selling manufactured buildings within the City. Such business activity is deemed to occur at the business location of the seller where the purchaser first entered into the contract to purchase the manufactured building.

Comparative

Currently, Chino Valley's rate of 2% is below the statewide average of 2.784%. Of the 90 communities surveyed:

- 65 have a higher rate than Chino Valley,
- 17 (including Dewey-Humboldt) have the same 2% rate, and
- 8 have a lower rate.

Additionally, two neighboring communities, Prescott (2.95%) and Prescott Valley (2.83%), maintain higher rates.

Proposed Rate

The proposed 3% tax rate on manufactured buildings represents a one-percentage-point increase from the Town's current rate of 2%. This adjustment would bring Chino Valley closer to the statewide average of 2.784% and more in line with neighboring communities such as Prescott (2.95%) and Prescott Valley (2.83%). The increase is intended to enhance revenue generation while promoting a more consistent and equitable tax structure across sectors.

Justification

The following outlines the potential advantages and disadvantages of increasing the manufactured buildings tax rate from 2% to 3%, based on anticipated economic, fiscal, and community impacts.

Pros:

- Potential for Increased Revenue: Raising the tax rate from 2% to 3% could lead to higher tax collections, assuming the volume of manufactured building sales remains stable. This additional revenue could support general government operations or other community needs.
- Perceived Equity and Fairness: The rate adjustment could be viewed as promoting fairness in the Town's tax structure, ensuring that no specific industry or sector receives preferential treatment compared to others facing higher tax rates.

Cons:

- Risk of Business Relocation: Higher tax rates may incentivize manufactured home sellers to move their operations outside of Chino Valley — particularly to areas in the County or neighboring municipalities with lower rates — resulting in a potential loss of all related tax revenue.
- Increased Consumer Costs: Raising the tax rate could make manufactured buildings more expensive for buyers, potentially reducing consumer demand and slowing sales within the Town.
- Reduced Industry Investment: A higher tax rate might discourage future investment in the manufactured building sector locally. Businesses evaluating where to locate may opt for communities with lower tax burdens, limiting potential economic development opportunities for the Town.

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Analysis

At a 3% tax rate, the estimated TPT collected per manufactured home sale would be:

$$\mathbf{\$150,000 \times 3\% = \$4,500}$$

This represents the total TPT revenue per unit sold at that price point. If the current rate of 2% remains in place, the collection per home would be:

$$\mathbf{\$150,000 \times 2\% = \$3,000}$$

An increase to 3% would result in \$1,500 more in TPT revenue per manufactured building sale, assuming the gross sales price and transaction volume remain constant.

Conclusion

In conclusion, increasing the manufactured buildings tax rate from 2% to 3% presents an opportunity for Chino Valley to enhance local revenue while aligning more closely with regional and statewide tax rates. The adjustment supports a more equitable tax structure across industries and could contribute to long-term fiscal sustainability. While there are considerations related to market sensitivity and industry perception, the proposed rate remains competitive with neighboring communities and reflects a balanced approach to supporting essential Town services and future growth.

Future Steps

- **August 10, 2025:** The notice of intent and public hearing must be published 15 days prior to the hearing.
- **August 26, 2025:** Public hearing. Following the public hearing, Council may approve the proposed modification.
- **August 28, 2025:** Notice of the change must be submitted to ADOR, MTCC, and League within 10 days of adoption by Council.
- **November 1, 2025:** The effective date of the rate change, more than 60 days following ADOR notification.

Additional Information

Additional information or questions regarding this rate change can be found at www.chinoaz.gov or contacting Katie Pehl, Finance Director at kpehl@chinoaz.net or 928-636-3121.