PROPERTY TAX
Tax-forfeited Property Excess Proceeds Distribution Modified

April 29, 2024

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 4822 (Feist) 2nd Engrossment as proposed to be amended by H4822A3

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
General Fund	$0	$0	$0	$0

Effective July 1, 2024.

EXPLANATION OF THE BILL
On May 25, 2023 the United States Supreme Court ruled in *Tyler v. Hennepin County* that it is unconstitutional under federal law for a Minnesota county to retain the proceeds from the sale of tax-forfeited property that exceed the tax debt on the property.

Under the proposal, the laws governing tax-forfeiture in Minnesota would be amended to comply with the ruling in *Tyler v. Hennepin County.* Specifically, the proposal creates a formal process for interested parties (the property owner, fee owners, vendees, mortgagees, lienholders, escrow agents, and lessees of real property) to make a claim on excess proceeds if a tax-forfeited parcel is sold for an amount greater than the "minimum bid," defined as the product of (i) 1.05 and (ii) the tax debt on the parcel (i.e., delinquent taxes, special assessments, penalties, interest, and costs). An amount equal to five percent of the tax debt would be set aside to cover a portion of the fees and costs associated with the delinquency proceedings and tax sale.

Under the proposal, tax-forfeited properties (excluding any interests in iron-bearing stockpiles, minerals, or mineral interests) must be offered for sale at public auction.

- The sale must occur within six months of the filing of the certificate of the expiration of redemption, or the date the property is vacated by the occupant, whichever is later.
- If the highest bid at auction is less than the "minimum bid," the sale may be canceled and the state is deemed to have purchased the property through a credit bid.
- In addition, the Department of Natural Resources may withhold or withdraw from sale any property as allowed under current law (e.g., parcels within state park boundaries, parcels on or adjacent to public waters, etc.). After following the condemnation procedures set forth in chapter 117, any proceeds in excess of the "minimum bid" must be made available for claims.

Proceeds from the sale or condemnation proceedings are distributed as follows:

- The "minimum bid" amount shall be deposited into the county's forfeited tax sale fund.
- If there are any remaining proceeds, the county auditor must notify all interested parties of the excess proceeds within 60 days of the sale.

- Interested parties will have six months from the date the notice is mailed to file a claim for excess proceeds.
- Unclaimed excess proceeds are returned to the county's forfeited tax sale fund.

Upon forfeiture, any iron-bearing stockpiles, minerals, and mineral interests (including but not limited to iron, gas, coal, oil, copper, gold, or other valuable minerals) shall be sold to the state for $50.

- The county auditor must notify all interested parties within 60 days of the sale.
- Interested parties will have six months from the date the notice is mailed to file a claim alleging that the value of the iron-bearing stockpiles, minerals, or mineral interests in the property exceeds the "minimum bid."
- If a claim is filed, the Department of Natural Resources (DNR) must determine the value of the forfeited iron-bearing stockpiles, minerals, and mineral interests.
- If the value of the iron-bearing stockpiles, minerals, and mineral interests does not exceed the "minimum bid," then the claimant is not entitled to any payment.
- If the value of the iron-bearing stockpiles, minerals, and mineral interests exceeds the "minimum bid," then the claimant is entitled to a payment from the DNR equal to the excess amount.
- An amount necessary to make payments of claims regarding mineral interests is annually appropriated from the general fund to the DNR.

REVENUE ANALYSIS DETAIL

- The proposal brings Minnesota tax-forfeiture law into compliance with the U.S. Supreme Court ruling in *Tyler vs. Hennepin County*.
- The proposal would have no impact on state-paid aids, credits, or refunds.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

Transparency, Understandability, Simplicity & Accountability	Neutral
Efficiency & Compliance	Neutral
Equity (Vertical & Horizontal)	Neutral
Stability & Predictability	Neutral
Competitiveness for Businesses	Neutral
Responsiveness to Economic Conditions	Neutral

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
https://www.revenue.state.mn.us/revenue-analyses

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