

**PROPERTY TAX
Tax-forfeited Property Excess
Proceeds Distribution Modified**

May 6, 2024

Department of Revenue
Analysis of S.F. 4985 (Westlin) 1st Engrossment

	Yes	No
DOR Administrative Costs/Savings	X	

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 the tax-forfeited parcel is sold for an amount greater than the tax debt (delinquent taxes, special assessments, penalties, interest, and costs) on the parcel.

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.

- If the highest bid at auction is less than the tax debt on the parcel, the sale may be canceled.
- 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.

Proceeds from the sale:

- Must first be applied to the outstanding delinquent taxes, special assessments, penalties, interest, and costs levied on the parcel.
- Next, the proceeds are applied to any attorney fees and costs connected with the delinquency proceedings and tax sale.
- 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 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 \$50.
- 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 tax debt, then the claimant is not entitled to any payment.
- If the value of the iron-bearing stockpiles, minerals, and mineral interests exceeds the tax debt, 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)

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