

Subject Distribution of proceeds from sales of tax-forfeited property

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Overview

This bill creates a process for taxpayers to file a claim for monetary compensation of excess proceeds from the sales of their property if it is forfeited and sold due to nonpayment of property taxes. The bill also creates a process for claims to excess proceeds when mineral interests are forfeited to the state for nonpayment of property taxes. It also creates a grant program through the Pollution Control Agency to award grants to counties to remediate environmental issues on tax-forfeited land.

Background: In May 2023, the U.S. Supreme Court ruled in *Tyler v. Hennepin County* that that the county's sale of a tax-forfeited property violated the takings clause of the Fifth Amendment because the property owner was deprived of the surplus proceeds resulting from the sale. This bill attempts to address that issue by creating a mechanism for property owners to apply to receive surplus proceeds from the sale of their property after forfeiture.

Summary

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| 1 | Environmental remediation; tax-forfeited properties.
Creates a grant program within the Pollution Control Agency to award grants to counties to address blight conditions and remediate environmental contamination of properties that have come under county ownership. |
| 2 | Form.
Adds text to the notice of expiration of redemption notifying recipients that they may be entitled to monetary compensation after forfeiture. Under current law and the bill, the period of redemption is the period in which a taxpayer can pay off delinquent taxes and avoid forfeiture. The notice in this section is currently sent to parties to inform them that the period of redemption will be expiring soon, and unless all delinquent property taxes and associated penalties are paid, their property |

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will forfeit. The text added by this section would allow an interested party to notify the county auditor that they believe the value of their interest in the property exceeds the delinquent tax amount and that they would like to receive monetary compensation of this excess amount if the property forfeits.

3 Public auction mandatory when a claim for surplus proceeds is filed.

Requires tax-forfeited property to be sold at public auction if an interested party files for monetary compensation of the excess proceeds from the sale. If at the public auction a property is sold for more than the delinquent property tax due, any interested parties that filed a claim will be paid the excess proceeds. If at the public sale no buyer is willing to pay an amount at least equal to the delinquent property tax due, then the county may cancel the sale and dispose of the property as otherwise allowed by statute.

If multiple claimants file for excess proceeds, the proceeds must be divided among the claimants according to each claimants' ownership interest. If there are competing claims, a county may bring an action of interpleader to determine the proportion of the proceeds that each claimant is entitled to.

4 Proceedings on claims for mineral interests; payments; appropriation.

Requires a county, in consultation with the commissioner of natural resources, to determine the value of tax-forfeited mineral interests, if a claimant files for monetary compensation of the excess proceeds from a forfeiture. Under current law and under the bill, when mineral interests forfeit for nonpayment of property taxes, the interests transfer to the state and are held in trust for the benefit of the local taxing jurisdictions. This section would allow the claimants whose mineral interests forfeit to the state for nonpayment of property taxes to file for monetary compensation if the value of their interests exceeds the delinquent tax due. The commissioner of natural resources would determine the value of the mineral interests. If this value were to exceed the delinquent taxes, then any interested party that filed a claim would be entitled to payment of this excess amount.

If multiple claimants file for excess proceeds, the proceeds must be divided among the claimants according to each claimants' ownership interest. If there are competing claims, a county may bring an action of interpleader to determine the proportion of the proceeds that each claimant is entitled to.

5 Apportionment of proceeds to taxing districts.

Establishes the apportionment process for proceeds from tax-forfeited land sold at a public sale due to an interested party filing a claim for excess proceeds. The proceeds would first follow current law distributions, reimbursing municipalities for special assessments and reimbursing the Pollution Control Agency or Department of Agriculture for actions taken after the forfeiture that added to the appraised value of

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the property. The remaining proceeds would then be distributed for the following purposes, in order:

- payment of all delinquent taxes together with penalties, costs, and interest;
- payment of attorney fees and costs reasonably incurred or expended in connection with the delinquency proceedings; and
- any remaining balance is paid to any interested party which made a claim for excess proceeds.



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