



**Legal Services Advocacy Project**  
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## REMOVING THE 10% FLOOR ON INTEREST RATES ON PROPERTY TAX DELINQUENCIES

### The Problem

Some homeowners who might otherwise be able to repurchase their homes from tax forfeiture are prevented from doing so because the statutory interest rate on delinquencies, penalties, and unpaid costs is set at an abnormally high FLOOR of 10%.<sup>1</sup>

Under current law, the Commissioner of Revenue establishes the rate annually based on “the prime rate charged by banks during the six-month period ending on September 30 of that year, rounded to the nearest full percent.”<sup>2</sup> **BUT**, the law also provides that “*If the rate so determined is less than ten percent, the rate of interest is ten percent.*”<sup>3</sup>

This statute was put in place during the 1990 session when the 30-year fixed-interest mortgage rate was 10.13%.<sup>4</sup> The rate as of December 2, 2021 was 3.05%.<sup>5</sup> The rate has not reached double digits since November 1991.<sup>6</sup>

This exceedingly high floor – so out of step with current rates – is creating a barrier for some homeowners to pay off their property tax debts and stay in their homes.

### The Solution

Eliminate the 10% floor on interest on tax forfeiture delinquencies and use the rate as determined by the Commissioner of Revenue each year that accurately reflects current market rates.

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<sup>1</sup> See Minn. Stat. § 279.03, subd. 1a.

<sup>2</sup> Minn. Stat. § 270C.40, subd. 5.

<sup>3</sup> Minn. Stat. § 279.03, subd. 1a (emphasis added). This section also sets a *ceiling* of 14%. *Id.* The 30-year fixed interest rate has not risen above 14% since 1984. Freddie Mac, *30-Year Fixed-Rate Mortgages Since 1971*; at <http://www.freddiemac.com/pmms/>.

<sup>4</sup> Freddie Mac, *30-Year Fixed-Rate Mortgages Since 1971*.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

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