



# Board of County Commissioners Agenda Request

**5C**  
Agenda Item #

**Requested Meeting Date:** July 23, 2024

**Title of Item:** Presentation on the new tax law

<input type="checkbox"/> REGULAR AGENDA <input type="checkbox"/> CONSENT AGENDA <input checked="" type="checkbox"/> INFORMATION ONLY	<b>Action Requested:</b> <input type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft) <i>*provide copy of hearing notice that was published</i>	<input type="checkbox"/> Direction Requested <input type="checkbox"/> Discussion Item <input type="checkbox"/> Hold Public Hearing*
<b>Submitted by:</b> Dennis (DJ) Thompson		<b>Department:</b> Land
<b>Presenter (Name and Title):</b> Dennis (DJ) Thompson, Land Commissioner		<b>Estimated Time Needed:</b> 20 Minutes
<b>Summary of Issue:</b> I would like to give a presentation to the Aitkin County Board of Commissioners on Minnesota's new tax law.		
<b>Alternatives, Options, Effects on Others/Comments:</b>		
<b>Recommended Action/Motion:</b>		
<b>Financial Impact:</b> <i>Is there a cost associated with this request?</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>What is the total cost, with tax and shipping? \$</i> <i>Is this budgeted?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Please Explain:</i>		



# Minnesota's New Tax Forfeiture Law

# What happened?

- ▶ Tyler v. Hennepin County
  - ▶ Plaintiff moved out of Minneapolis condo in 2010
  - ▶ Payable 2011 taxes became delinquent
  - ▶ Property forfeited in 2015
  - ▶ Property auctioned to third party in 2016
  - ▶ Alleged \$15,000 tax liability and \$40,000 auction price

## Lawsuit over \$25,000 “surplus”

- ▶ District Court
- ▶ Eight Circuit Court of Appeals
- ▶ Supreme Court
  - ▶ Decided on May 25, 2023
  - ▶ 9-0 vote



# Verdict

- ▶ Minnesota's tax forfeiture law is unconstitutional
- ▶ Class action lawsuit filed against all 87 Minnesota counties

“The taxpayer must render unto Caesar what is Caesar's, but no more.”



## Response

- ▶ Legislature needed to enact a new forfeiture law
- ▶ Come to an agreement on the class action lawsuit and find a way to fund it

How liable are the counties when all they were doing was following the state law?

Surplus dollars from land sales had already been apportioned out

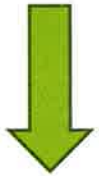
# 2024 Legislative Session

- ▶ New law and procedure for tax forfeited property
- ▶ Agreement reached on settlement with funding in the amount of \$109 million
  - ▶ Settlement agreement requires counties to make a good faith effort to sell all nonconservation land it still has that forfeited in the lookback period (June 23, 2016 to December 31, 2023)



# Three buckets of tax forfeited land

Property  
Forfeited  
Before  
2016



Chp. 282

Property  
Forfeited  
Between  
2016 to 2023



Sell

Current  
Forfeitures



New Law



## Property that forfeited before 2016

- ▶ Often referred to as the “Legacy” forfeitures
- ▶ Business as usual
  - ▶ Procedure for selling these governed by State Statute 282
  - ▶ Proceeds apportioned out



# Property that forfeited between 2016 to 2023

- ▶ Referred to as the “Lookback Period”
- ▶ To help fund the settlement, counties required to make a good faith effort to sell nonconservation land that forfeited during that time period
  - ▶ Multiple options for conducting the sale including adjacent landowner sales
  - ▶ Must first be offered at appraised value
  - ▶ Usual requirements for land sales outlined in 282 are out the window

## Proceeds from sale

- ▶ Properties sold before June 30, 2027:
  - 75% to be reimbursed to the State
  - 25% to the County
- ▶ Properties sold before June 30, 2029:
  - 85% to be reimbursed to the State
  - 15% to the County

County proceeds do not need to be apportioned

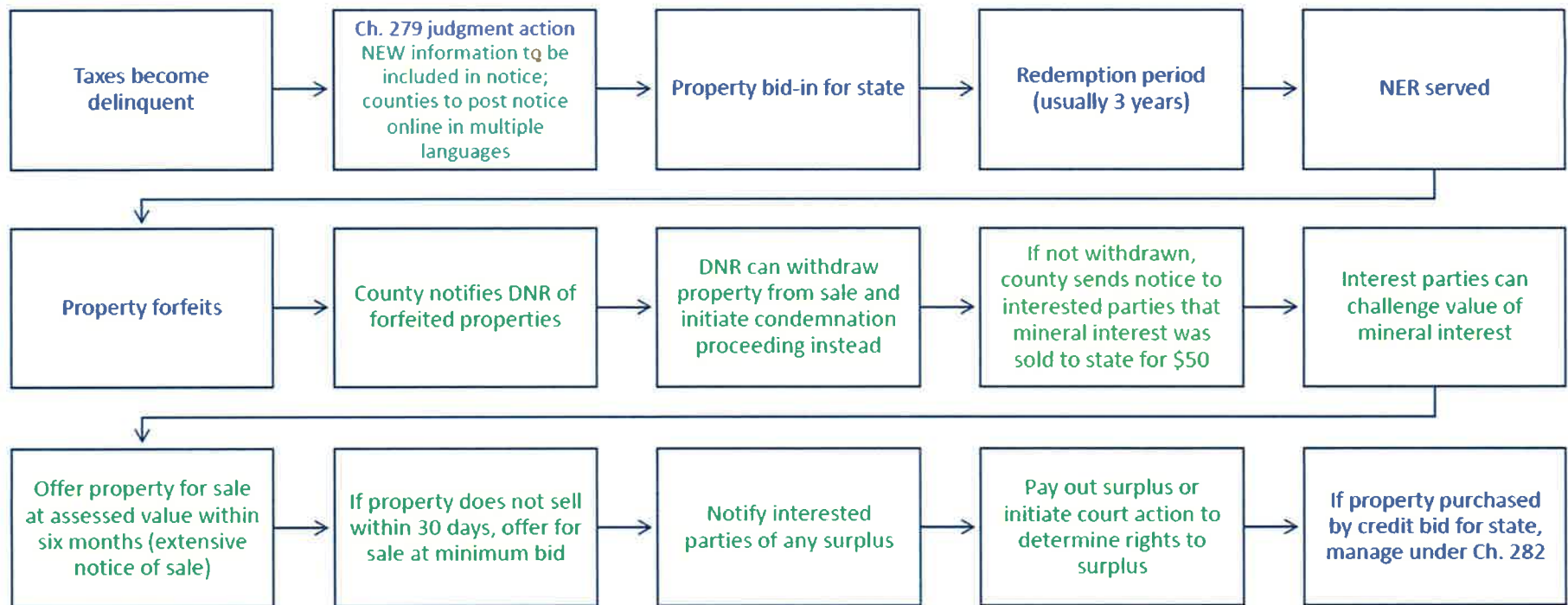


# New forfeitures and beyond

- ▶ Constitutional Requirements
  - ▶ Create an opportunity for interested parties to claim “surplus” funds in collection process
  - ▶ Capture market value of property for purposes of calculating surplus
  - ▶ Adequate due process for all interested parties



# Overview of new MN forfeiture process



## New Law continued...

- ▶ Taxes become delinquent
- ◀ Ch. 279 judgement action
- ◀ Property bid-in for State
- ◀ Redemption period (usually 3 years)
- ◀ Notice of Expiration of Redemption (NER) served
- ◀ Property forfeits

## New law continued...

- ▶ Property is now tax forfeit and deed transfers to the State
- ↪ County notifies DNR of forfeited properties
- ↪ DNR can withdraw property and initiate condemnation proceeding instead
- ↪ If not withdrawn, county sends notice to interested parties that mineral interest was sold to State for \$50
- ↪ Interested parties can challenge value of mineral interest

## New law continued...

- ▶ Property must now be offered for sale

  - Auction to occur within six months with starting bid at appraised value





  - If property does not sell within 30 days, offer for sale at minimum bid\*

\*Minimum bid is sum of delinquent taxes, special assessments, penalties, interest, and costs assigned to the parcel



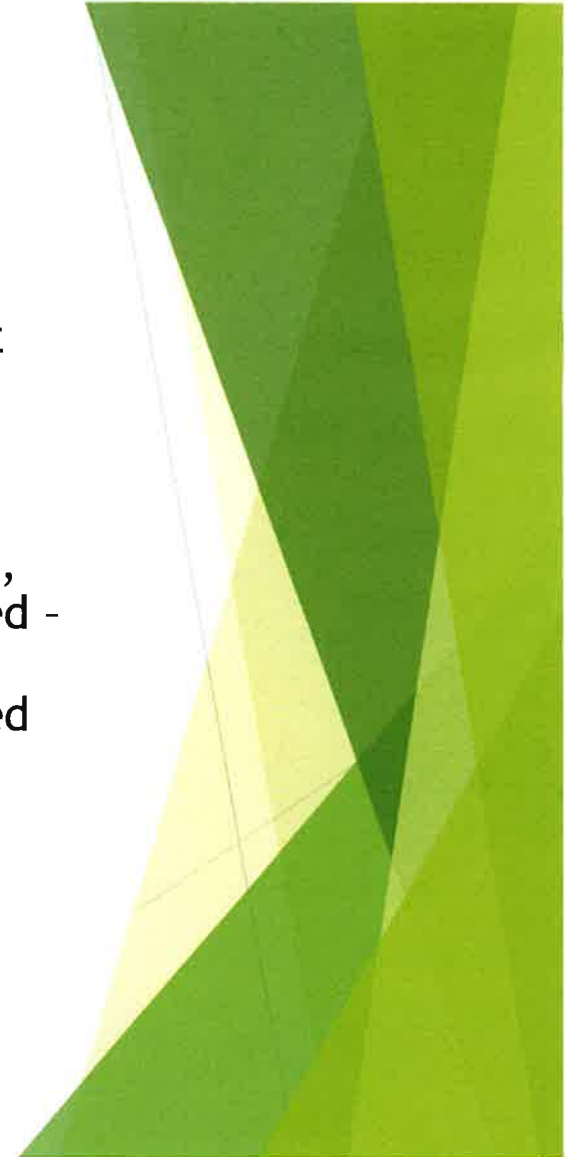
## New law continued...

### If property sells at auction:

- 60 days to notify interested parties of surplus
- Interested parties have six months to claim surplus
- County pays out surplus or initiates court action to determine rights to surplus
- Property can be purchased by credit bid for state (then managed under 282)
- Only surplus above minimum bid paid out - county recaptures its fees

### Other scenarios:

- Property does not sell at auction - remains tax forfeited and managed under 282
- Property sells at auction, but surplus is not claimed - surplus retained by the county and does not need to be apportioned



## Food for thought...

- ▶ Reduction in land sale revenue to FTS account
- ▶ Properties will not be easily available for local jurisdictions
- ▶ Repurchases no longer require County Board approval
- ▶ Former owners will not receive any surplus funds for months
- ▶ Still waiting for forms from MMB and DOR



# Questions

