

Minnesota's Tax Forfeiture System

Minnesota tax laws provide mechanisms for collecting past-due/unpaid property taxes, as well as providing for relief mechanisms for financial hardship. County governments are given the responsibility of managing the tax forfeiture process on behalf of all local governments along with the state.

When a tax forfeiture occurs, the property is transferred to the state to be held in trust for local taxing districts. Counties are required to manage these properties—which is often costly, especially for contaminated or unsafe properties—and return them to productive use. In cases where properties are sold back into private ownership, state statute dictates what must be done with the proceeds, including apportionment to local taxing districts.

Impact of U.S. Supreme Court Ruling

In spring 2023, the U.S. Supreme Court ruled that Minnesota's tax forfeiture system was unconstitutional because revenue from tax-forfeited sales in excess of the total tax debt owed was not returned to the property owner, violating the *Takings Clause* of the U.S. Constitution's Fifth Amendment.

While there are sales of tax-forfeited property that yield excess/net value, many tax-forfeited properties result in excessive, publicly-funded costs to manage and clean up the property on top of net uncollected taxes. The Court's decision is expected to increase costs to manage these properties according to state law and should not be borne by local taxpayers. Counties remain increasingly concerned that the ability for local government to fund these state obligations will be severely impacted and delayed if the state does not identify a new foreclosure process along with a mechanism to assist counties in funding property clean-up and eliminating unsafe conditions that can negatively impact communities.

For decades, Northern counties have maintained over \$2.8 million acres of tax-forfeited property. These lands serve the timber and mining industry while providing recreation and environmental benefits. Protection of this land is critical.



Minnesota Must Respond

The Legislature must revise state tax forfeiture laws to comply with the U.S. Supreme Court ruling.

Minnesota should create a new process that provides homeowners with ample opportunities to remain in their homes while also affording local governments flexibility to respond and pay for blighted and unsafe conditions.

This process must address the ability to return equity in situations where sales result in value greater than costs and taxes owed or where the government opts to hold the property.

This process must protect the legacy land base held by northern counties for the benefit of the state.

The state should also support a settlement with claimants with a responsible window for past claims and a clear, efficient timeline to file for absolution.

This one-time, state-funded settlement process should be part of any forfeiture revision legislation and be paid for by the state.