

SF4985 - 1E - Tax-Forfeited Properties

Chief Author: **Bonnie Westlin**
 Committee: **Taxes**
 Date Completed: **5/1/2024 2:27:56 PM**
 Lead Agency: **Revenue Dept**
 Other Agencies:
 Attorney General Natural Resources Dept
 Supreme Court

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Attorney General		-	-	-	-	-
General Fund		-	-	-	-	-
Natural Resources Dept						
General Fund		-	-	3,762	3,762	3,762
Revenue Dept						
General Fund		-	-	46	8	-
State Total						
General Fund		-	-	3,808	3,770	3,762
Total		-	-	3,808	3,770	3,762
Biennial Total				3,808		7,532

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
Attorney General		-	-	-	-	-
General Fund		-	-	-	-	-
Natural Resources Dept						
General Fund		-	-	7.5	7.5	7.5
Revenue Dept						
General Fund		-	-	.23	.04	-
Total		-	-	7.73	7.54	7.5

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 5/1/2024 2:27:56 PM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Attorney General		-	-	-	-	-
General Fund		-	-	-	-	-
Natural Resources Dept						
General Fund		-	-	3,762	3,762	3,762
Revenue Dept						
General Fund		-	-	46	8	-
Total		-	-	3,808	3,770	3,762
Biennial Total				3,808		7,532
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Attorney General		-	-	-	-	-
General Fund		-	-	532	532	532
Natural Resources Dept						
General Fund		-	-	3,762	3,762	3,762
Revenue Dept						
General Fund		-	-	46	8	-
Total		-	-	4,340	4,302	4,294
Biennial Total				4,340		8,596
2 - Revenues, Transfers In*						
Attorney General		-	-	-	-	-
General Fund		-	-	532	532	532
Natural Resources Dept						
General Fund		-	-	-	-	-
Revenue Dept						
General Fund		-	-	-	-	-
Total		-	-	532	532	532
Biennial Total				532		1,064

SF4985 - 1E - Tax-Forfeited Properties

Chief Author: **Bonnie Westlin**
 Committee: **Taxes**
 Date Completed: **5/1/2024 2:27:56 PM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	-	46	8	-
Total		-	-	46	8	-
Biennial Total				46		8

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	-	.23	.04	-
Total		-	-	.23	.04	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 4/30/2024 9:20:54 AM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	46	8	-	-
Total	-	-	46	8	-	-
Biennial Total			46		8	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	46	8	-	-
Total	-	-	46	8	-	-
Biennial Total			46		8	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-		-	

Bill Description

The bill creates a new process for distributing proceeds from the sale of tax-forfeited properties. There is no effective date listed, so Revenue assumes all sections are effective July 1, 2024.

Section 1 of the bill states that a new section must be added to the "Notice of Expiration of Redemption". The notice states that forfeited parcels will be sold and if the proceeds from the sale exceed the costs owed, then the former owner will be notified and must submit the claim form included with the notification in order to receive the proceeds.

Section 2 of the bill states that a county must offer tax-forfeited parcels for sale before managing them, except for mineral rights. If the parcels cannot be sold for more than the minimum bid, then they can be disposed of as provided in this chapter. If there are excess proceeds, the county auditor must notify interested parties by certified mail within 60 days of the sale. Interested parties must make a claim for surplus proceeds within 6 months from the date the notice is first mailed to interested parties. Mineral rights will be sold to the state for \$50. If an interested party believes the value of the mineral interests exceeds \$50, they must submit a claim. If a claim is submitted, the commissioner of natural resources must determine the value of the mineral interests. Any unclaimed surplus proceeds will be returned to the county's forfeited tax sale fund. Property purchased by the state will be held in trust for the benefit of the taxing districts.

Section 3 of the bill states how proceeds from a sale must be apportioned.

Section 4 of the bill states that the existing repurchase requirements apply to properties forfeited prior to January 1, 2024.

Assumptions

The Department of Revenue (Revenue) assumes it will update the current 242-page Delinquent Real Property Tax and Tax Forfeiture manual. Revenue assumes it will update its employee manual and internal procedures. Revenue assumes it will have internal meetings regarding the new procedures and process as well as external meetings with stakeholders regarding the new process. Revenue assumes it will receive and answer numerous taxpayer and county questions regarding the new process. Revenue assumes it will update the external website.

The Property Tax Division assumes it will need .16 FTE in FY25. The division will update the current 242-page Delinquent Real Property Tax and Tax Forfeiture manual. The division assumes it will update its employee manual and internal procedures and hold meetings to discuss these updates. The division assumes it will attend external meetings with stakeholders. The division assumes these meetings will require preparation time. It is assumed that the meetings will include conferences, county meetings, and meetings with any other stakeholder. The division assumes it will receive and answer numerous taxpayer and county questions regarding the new process. The division assumes it will update the external webpage.

The Appeals, Legal Services, and Disclosure (ALSD) Division assumes the property tax attorneys will require .07 FTE of attorney time in FY25 and .04 FTE of attorney time in FY26 as this bill creates a process to make a claim for sale proceeds surplus. The attorney time is to review amended manual sections and answer questions from the counties.

FTE Impact

FTEs	FY 2024	FY 2025	FY 2026	FY 2027
Appeals, Legal, and Disclosure staff (Attorneys)		.07	.04	
Property Tax staff		.16		
MAPE		.08		
MMA		.05		
Managerial		.03		
Total FTE Impact		.23	.04	

Note: Totals may vary slightly due to rounding.

Expenditure and/or Revenue Formula

Administrative Impact

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employee Compensation			45,738	7,806	
Total Administrative Costs (Savings)			45,738	7,806	

Note: This table uses whole numbers. Totals may vary slightly due to rounding.

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

Local governments will have to update their procedures, manuals, websites, etc. The updates and changes the local governments will need to make will be similar to what Revenue must do, but their main stakeholders will be property owners whereas the main stakeholders for Revenue are the counties.

References/Sources

Agency staff provided information for this fiscal note.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

Date: 4/29/2024 4:17:47 PM

Phone: 651-556-6308

Email: chelsea.magadance@state.mn.us

SF4985 - 1E - Tax-Forfeited Properties

Chief Author: **Bonnie Westlin**
 Committee: **Taxes**
 Date Completed: **5/1/2024 2:27:56 PM**
 Agency: **Attorney General**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 5/1/2024 2:25:49 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	532	532	532
Total	-	-	532	532	532
Biennial Total			532		1,064
2 - Revenues, Transfers In*					
General Fund	-	-	532	532	532
Total	-	-	532	532	532
Biennial Total			532		1,064

Bill Description

This bill is a proposal in response to the U.S. Supreme Court's decision in *Tyler v. Hennepin County*, 598 U.S. 631 (2023), which ruled the State of Minnesota's tax forfeiture procedure was unconstitutional on the grounds that it is a government taking of property since the process provided no means for a taxpayer to recover lost equity in a property when the property's value exceeded the tax liability.

This bill proposes to leave the current tax forfeiture procedure (Chapter 282), but amends the forfeiture statutes to include a mandatory public auction of forfeited land when requested by an interested party. The bill creates a procedure for interested parties to claim any surplus proceeds and a separate procedure for claims regarding mineral interests.

The county must consult with the Department of Natural Resources (DNR) to determine if the value of a claimant's iron-bearing stockpiles, minerals or mineral interests exceed the tax obligation and costs. The DNR is charged with determining the value of claimant's mineral rights. If the value of a claimant's iron-bearing stockpiles, minerals or mineral interests exceeds the tax obligation and costs, the claimant is entitled to payment from the DNR equal to the excess amount. The county may deny a claim for the excess proceeds regarding the value of minerals if the county believes the claim was made in error. The claimant may bring a civil action in district court to challenge the county's denial.

An annual appropriation (no amount given in the bill) from the general fund to the commissioner of natural resources will be made in an amount necessary to make the payments to claimants regarding iron-bearing stockpiles, minerals and mineral interests.

Assumptions

Sale procedure and claims proceedings for mineral value are handled through the county auditor's office, except in the case of the county filing an interpleader action disputing a claimant's claim (most likely a county district court action).

Every tax parcel identification number would be a separate claim proceeding regarding mineral value.

The proposed legislation does not provide any guidance as to the form of the claim or what information the claim must

contain.

There is no upfront fee/cost to the taxpayer/owner for filing a claim for the mineral value.

There is no burden of proof to the taxpayer/owner making a claim to state what they believe is the value of their mineral interest.

Civil actions in district court brought by a claimant to challenge a county's denial of a claim will not affect the DNR, since the county's denial is based on what the county believes to be a claim made in error.

The Attorney General's Office estimates that it will expend 2,000 hours of attorney time and 2,000 hours of legal assistant (investigator/other staff) time per fiscal year.

Expenditure and/or Revenue Formula

Expenditures:

	Hourly Billing Rate	Hours	Total Cost to AGO [hours x billing rate]
Attorney, [list attorney division]	\$163	2000	\$326,000
Legal assistant, [Investigator/other non-attorney staff]	\$103		\$206,000
Other			
Total			\$532,000

Costs billed to partner agency:

	Hourly Billing Rate	Hours	Total Amount [hours x billing rate]	Partner Agency
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Attorney, ENR	\$163	2000	326,000	DNR
Legal assistant, [Investigator/other non- attorney staff]	\$103	2000	206,000	DNR
<i>Other</i>				
Total			\$532,000	

Long-Term Fiscal Considerations

n/a

Local Fiscal Impact

n/a

References/Sources

n/a

Agency Contact: Laura Sayles

Agency Fiscal Note Coordinator Signature: Laura Capuana

Phone: 651-402-2213

Date: 5/1/2024 2:10:13 PM

Email: laura.capuana@ag.state.mn.us

SF4985 - 1E - Tax-Forfeited Properties

Chief Author: **Bonnie Westlin**
 Committee: **Taxes**
 Date Completed: **5/1/2024 2:27:56 PM**
 Agency: **Natural Resources Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
General Fund	-	-	3,762	3,762	3,762
Total	-	-	3,762	3,762	3,762
Biennial Total			3,762		7,524

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	7.5	7.5	7.5
Total	-	-	7.5	7.5	7.5

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Jim Carlson **Date:** 4/29/2024 4:29:06 PM
Phone: 651-284-6540 **Email:** jim.carlson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	3,762	3,762	3,762
Total	-	-	3,762	3,762	3,762
Biennial Total			3,762		7,524
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	3,762	3,762	3,762
Total	-	-	3,762	3,762	3,762
Biennial Total			3,762		7,524
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

This bill is a proposal in response to the U.S. Supreme Court's decision in *Tyler v. Hennepin County*, 598 U.S. 631 (2023), which ruled the State of Minnesota's tax forfeiture procedure was unconstitutional on the grounds that it is a government taking of property since the process provided no means for a taxpayer to recover lost equity in a property when the property's value exceeded the tax liability.

This bill proposes to leave the current tax forfeiture sale procedure in place (Chapter 282), but amends the forfeiture statutes to include a mandatory public auction of forfeited land (except iron-bearing stockpiles, minerals and mineral interests which are sold to the State for \$50). A sale can be cancelled if there is no buyer willing to pay the minimum bid; then the parcel would be disposed of as otherwise provided in Ch. 282. All interested parties (which includes the taxpayer/owner) are provided a claims form by the county auditor to claim excess proceeds from the sale or to dispute the \$50 payment for reserving the iron-bearing stockpiles, minerals and mineral rights.

If a claim is made to the county alleging the value of iron-bearing stockpiles, minerals and mineral rights exceeds \$50, the DNR is charged with determining the value of the mineral rights. If the value of a claimant's iron-bearing stockpiles, minerals or mineral interests exceeds \$50, the claimant is entitled to payment from the DNR equal to the excess amount.

An annual appropriation (no amount given in the bill) from the general fund to the commissioner of natural resources will be made in an amount necessary to make the payments to claimants.

This bill contains no repealers of current statutes.

Assumptions

1. Sale procedure and claims proceedings for mineral value are handled through the county auditor's office, except in the case of the county filing a petition asking the district court to determine claimants' rights to the excess proceeds.
2. Every tax parcel identification number would be a separate claim proceeding regarding mineral value.
3. As a result of the county auditor sending a claim form to each interested party regarding every tax parcel identification number, the number of claims disputing the \$50 for stockpiles and minerals could increase, as opposed to relying on the interested parties to file a claim on their own volition. We also assume that many claims could be easily completed if mineral interests are under \$50 in value.
4. The proposed legislation does not provide any guidance as to the form of the claim or what information the claim must contain.

5. There is no upfront fee/cost to the taxpayer/owner for filing a claim for the mineral value. There is no burden of proof to the taxpayer/owner making a claim to state what they believe is the value of their mineral interest; therefore, all claims regarding mineral value would need to be acted upon.
6. Civil actions in district court brought by a claimant to challenge a county's denial of a claim will not affect the DNR, since the county's denial is based on what the county believes to be a claim made in error.
7. If a claim is made and substantiated, this bill states that general funds would be appropriated to the DNR for this purpose. We assume that this will be a direct or open appropriation.

Expenditure and/or Revenue Formula

The DNR has no basis in fact or previous experience upon which to base our assumption regarding the number of claims that may be made regarding mineral value. The bill proposes a new method for taxpayers/owners to claim excess proceeds, which is untested, and the number of claims for both excess land and mineral values is completely unknown.

For the purposes of this fiscal note, we estimate expenditures based on 50% of all forfeitures (surface with minerals reserved due to the forfeiture AND severed mineral interest only parcels) in six northeastern counties that are more likely to have mineralization and possibly result in claims filed regarding minerals. The six counties are: Aitkin, Carlton, Crow Wing, Itasca, Lake, and St. Louis counties. There is also the potential for every county in the state (87 counties) to have claims filed regarding minerals.

The number of forfeitures is dependent on a number of variables, including the state of the economy, individual circumstances, and tax rates in separate counties. Numbers of foreclosures can, therefore, vary widely from year to year. A statement from St. Louis County estimates this variability to range from 100 to 300 parcels per year. A recent - November 2023 Itasca County forfeiture report contained 69 tax identification parcels.

Based on that 2023 report from Itasca County, if 50% of the parcels have mineral claims per forfeiture document (assuming an annual forfeiture document), this is 35 claims per year x 6 counties = 210 claims per year.

DNR staff will be needed to determine the value of iron-bearing stockpiles, minerals and mineral interests for all properties in which a claim to excess proceeds has been filed.

In terms of staff, the following categories of expertise would be needed:

- DNR attorneys at 1.5 FTE to review all claims and consult with technical staff regarding parcel details and value. For the purpose of this fiscal note, we are assuming that this process takes place through the auditor and that there are no court proceedings.
- DNR engineering at 3 FTE to review claims for information regarding value of minerals, determine mineral value, and consult with DNR attorneys or counties.
- DNR mineral potential / economic geologist at 2 FTE to review claims for information regarding value of minerals, determine mineral value, and consult with DNR attorneys.
- DNR support staff at 1 FTE to provide administrative support, project management, and coordination for all claims. Coordination would be needed internally, as well as with the Attorney General Office.
- Attorney General Office: approximately 2,000 hours per year for attorney work and 2,000 hours per year for legal assistant work to manage claims, records, and filings. DNR is charged for all AGO time at \$163 per hour for attorneys and \$103 per hour for support staff.

The DNR would also pay \$50 for the purchase of minerals on every tax identification parcel which forfeits for non-payment of taxes. There are 87 counties in Minnesota and every county has the potential to forfeit properties each year. Counties with larger population centers could have more forfeitures due to the prevalence of small lots located within cities. To provide an estimate of the amount of money needed each year for the DNR to pay for the minerals which forfeited across the state, we have estimated 2,500 forfeited parcels per year. This estimate is derived as follows:

- 100 forfeited properties per year in six northeastern counties (Aitkin, Carlton, Crow Wing, Itasca, Lake, and St. Louis) and the seven-county metro area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington) = 1,300 forfeited properties;
- 50 forfeited properties per year in Olmsted, Stearns, and Clay (where the cities of Rochester, St. Cloud, and Moorhead, respectively, are located) = 150 forfeited properties;

- 15 forfeited properties per year in each of the remaining 71 counties in the state = 1,065 forfeited properties.

2,500 forfeited properties per year x \$50 payment for minerals on each of these properties = \$125,000 per year appropriated from the general fund to the DNR to purchase the minerals.

DNR is not able to estimate how many claims there could be but we assume that claims will be made for parcels with high potential for greater value. The values for potential mineral interests could vary greatly and likely not be determined without extensive research. Based on our estimate of 210 claims per year used above, a reasonable estimate of claim payments of \$10,000 each would result in a total cost of up to \$2,100,000 annually with high potential for variation. We assume that this cost would also be paid from the general fund appropriation in Subdivision 8 of the bill.

Expenditure Summary (amounts in thousands)

New FTE Position Description	FTE#	FY25	FY26	FY27
Attorney	1.5	\$201	\$201	\$201
Engineer	3	\$402	\$402	\$402
Economic Geologist	2	\$268	\$268	\$268
Project Manager	1	\$134	\$134	\$134
Attorney General's Office	-	\$532	\$532	\$532
Purchase of Mineral Interests	-	\$125	\$125	\$125
Claims on Forfeited Mineral Interests	-	\$2,100	\$2,100	\$2,100
Total	7.5	\$3,762	\$3,762	\$3,762

Long-Term Fiscal Considerations

DNR assumes costs would continue.

Local Fiscal Impact

County auditor's office staff will be required to hold public auctions of all forfeited lands. County auditor's office staff would also be required to mail claim forms to all interested persons for all sales, which includes the sale of all iron-bearing stockpiles, minerals and minerals rights to the State.

Counties will no longer be able to keep excess proceeds from tax forfeiture sales, thus less revenue distributed to:

- the county board for forest development and dedicated memorial forests;
- the county board for acquisition and maintenance of county parks or recreational areas;
- the county;
- the town or city; and
- the school district.

If a county believes a claim for excess proceeds was filed in error by a claimant, the county may deny the claim. While it is outside of the scope of the bill's language, a claimant could file a civil action in district court to challenge the county's denial of its claim. A county (through its county attorney attorney's office) will be required to defend the claim denial in court.

If there are multiple claims and there is a dispute as to how to distribute the surplus, a county (through its county attorney's office) will need to prepare and file a petition in county district court and defend such action in court prior to any payment being made to claimants.

References/Sources

Itasca County, November 16, 2023, Certificate of Forfeiture.

Agency Contact: Irina Woldeab

Agency Fiscal Note Coordinator Signature: Tyler Teggatz

Phone: 651-259-5304

Date: 4/29/2024 4:12:47 PM

Email: tyler.teggatz@state.mn.us

SF4985 - 1E - Tax-Forfeited Properties

Chief Author: **Bonnie Westlin**
 Committee: **Taxes**
 Date Completed: **5/1/2024 2:27:56 PM**
 Agency: **Supreme Court**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karen McKey **Date:** 4/30/2024 5:17:42 PM
Phone: 651-284-6429 **Email:** karen.mckey@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

SF4985-1E (the "bill") establishes a new process for returning excess proceeds from the sales of tax-forfeited properties.

Minn. Stat. § 281.23, subd. 2 is amended to require a "Notice of Expiration of Redemption" indicating the names of taxpayers and fee owners of record. This notice is directed to include language indicating that forfeited parcels will be sold and the excess proceeds, if any, will be distributed according to statute to entitled parties after proper notice and the submission of a claim.

Section 2 of the bill establishes a new statute, Minn. Stat. § 282.005 ("Tax-Forfeited Land, Initial Sale"), which requires a county to offer tax-forfeited parcels for sale before managing them, except for mineral rights. If a property cannot be sold for more than the established minimum bid, the sale may be canceled and the parcels disposed of as otherwise provided in chapter 282. If redemption does not occur, the county auditor must sell the property at public auction. Following the sale, any excess proceeds must be apportioned as provided in Minn. Stat. § 282.08 and the county auditor must notify interested parties of the surplus within 60 days of the sale of their ability to submit a claim for their portion of the surplus funds. Interested parties have a minimum of six months to submit a claim.

If the county auditor disputes a claim, or if there is a dispute as to how to divide the surplus among multiple claimants, the county auditor may deposit the surplus funds in district court and file a petition pursuant to Rule 67 of the Minnesota Rules of Civil Procedure, asking the court to determine claimants' rights to the funds deposited. The bill provides that the county and the county auditor are entitled to absolute immunity related to any claim predicated on distribution of surplus if the county auditor distributed proceeds consistent with Minn. Stat. § 282.005, subd. 6.

Mineral rights will be sold to the state for \$50. If an interested party believes the value of the mineral interests exceeds \$50, they must submit a claim. If a claim is submitted, the commissioner of natural resources must determine the value of the mineral interests. Any value more than \$50 will be divided among claimants in proportion to their ownership interest. If the county auditor disputes a claim, or if there is a dispute as to how to divide the surplus among multiple claimants, the commissioner of natural resources must transfer the amount due to the claimants under this subdivision to the county auditor, who must then deposit the transferred amount in district court and file a petition pursuant to Rule 67 of the Minnesota Rules of Civil Procedure, asking the court to determine claimants' rights to the funds deposited. If the court determines that no party that filed a claim is entitled to the surplus, the payment must be returned to the commissioner of natural resources and is canceled to the general fund.

Section 3 of the bill states how proceeds from a sale must be apportioned.

Section 4 of the bill states that the existing repurchase requirements apply to properties forfeited prior to January 1, 2024.

Assumptions

Similar to the processes outlined in Minn. Stat. § 282.02, which currently requires no court involvement, it is assumed the

Minnesota Judicial Branch will not be responsible for the proceedings under Minn. Stat. § 282.005 or any proceedings or costs associated with offering a tax-forfeited property for sale as provided in Minn. Stat. § 282.02.

It is assumed that Minn. Stat. § 282.005, subd. 6(d) and subd. 8(d) could increase the number of petitions filed in District Court pursuant to Rule 67 of the Minnesota Rules of Civil Procedure if a sale results in multiple claimants to surplus funds or if the county auditor disputes a submitted claim. The Minnesota Judicial Branch currently receives interpleader claims in District Court pursuant to Minn. R. Civ. Pro. 67. It is assumed that any potential increase in petitions filed under this rule cannot be calculated with any certainty.

Expenditure and/or Revenue Formula

Because the Judicial Branch is currently not responsible for any costs associated with offering a tax-forfeited property for sale as provided in section 282.02, it is assumed the Judicial Branch would have no financial responsibility for any of the work or costs associated with the implementation of the procedures set forth under Minn. Stat. § 282.005, with the exception of petitions filed under Minn. R. Civ. Pro. 67, for which a filing fee of \$285 (per petition) would be obtained.

Although the judicial branch cannot calculate or estimate any potential increase in petitions filed under Minn. R. Civ. Pro. 67 with reasonable certainty, it is anticipated that this bill will have minimal impact on the judicial branch; any potential impact will likely be absorbed by the Judicial Branch.

Long-Term Fiscal Considerations

None.

Local Fiscal Impact

The bill provides for any unclaimed surplus proceeds following a sale to be returned to the county's forfeited tax sale fund. Additionally, property purchased by the state will be held in trust for the benefit of the taxing districts. Local governments will need to update their procedures, manuals, websites, etc., for informing property owners.

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Callie Lehman

Phone: 651-297-7579

Date: 4/30/2024 3:03:37 PM

Email: callie.lehman@courts.state.mn.us