



## TESTIMONY IN SUPPORT OF SF 308

94th Legislative Session

Senate Tax Committee, January 29, 2025



### AT ISSUE

Recent revisions in state statute coupled with increasing interest rates have resulted in property owners who enter into a confession of judgment (COJ) for repayment of back taxes on homestead property paying more in interest than COJs on any other property type.

### OUR POSITION

By revising the statute, SF308 fixes an unintentional financial burden on struggling homeowners without any material revenue impact to the counties.

A confession of judgment (COJ) contract is a formal payment plan where the property owner pays off delinquent taxes in yearly installments over 5 or 10 years, as determined by the county auditor.

Homestead specific rates were changed when M.S. 279.37 Subd. 2b was revised in 2014 by reducing the rates to the greater of 5% or 2% plus the prime rate.

Previously there was no interest rate distinction between homestead and all other property. Everything was charged the same (prime rate with a 10% floor). All other property (non-homestead) rates were changed when M.S. 279.03 Subd. 1a was revised in 2023. Previously, the rate was prime with a 10% floor.

This specific change removed the 10% floor and kept the prime rate going forward. The net effect of these revisions are homesteads now pay prime plus 2% while non-homesteads pay prime. (See reverse.)

#### Minimal revenue impact to counties

There are currently 24 active COJs in Goodhue County. We see these agreements as an important tool to those who are struggling financially in their homes.

Counties retain under half of COJ interest charged to homeowners.

2024 COJ interest revenue in Goodhue county was less than \$5,000 as compared to total budget of \$91 million.

#### Potentially significant savings to homeowners

With this change a new homestead COJ could reasonably be charged \$300 less interest in the initial interest payment, and could save \$1,000 over the life of the contract.

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# Interest Rates for Minnesota Counties

County auditors, treasurers, and land commissioners should use the interest rates in the table below. You can find more information about each rate below the table.

YEAR	DELINQUENT TAXES	PROPERTY TAX JUDGMENTS	CONFESSION OF JUDGMENT, HOMESTEADED PROPERTY	CONFESSION OF JUDGMENT, ALL OTHER ELIGIBLE PROPERTY	REPURCHASE, OR TAX-FORFEITED LAND SOLD ON CONTRACT FOR DEED
2025	8%	4%	10%	8%	8%
2024	8%	5%	10%	8%	8%
2023	10%	5%	7%	10%	10%
2022	10%	4%	5%	10%	10%
2021	10%	4%	5%	10%	10%
2020	10%	4%	7%	10%	10%
2019	10%	4%	7%	10%	10%
2018	10%	4%	5%	10%	10%
2017	10%	4%	5%	10%	10%
2016	10%	4%	5%	10%	10%
2015	10%	4%	5%	10%	10%

SOURCE: <https://www.revenue.state.mn.us/interest-rates-minnesota-counties>