

**PROPERTY TAX  
Confession of Judgment  
Interest Rate Modified  
(Homestead Property)**

January 28, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 308 (Drazkowski) as introduced

Effective the day following final enactment.

**EXPLANATION OF THE BILL**

Following a tax judgment sale – also known as “bidding in for the state” – there is a three-year redemption period. During the redemption period, the owner may enter into a confession of judgment. The confession of judgment consolidates all delinquent taxes, costs, penalties, and interest accrued (up to the time of the confession) into a single amount, payable as ten equal annual payments. A 10% down payment is made immediately and the remaining nine installments are paid with interest on or before December 31 of each year following the year of the confession.

Under current law, the interest rate on confession of judgment installment payments for owner-occupied homestead property (class 1a or 1b) is equal to 2% above the prime rate charged by banks during the six-month period ending on September 30 of the preceding year, rounded to the nearest full percent, but no lower than 5% and no higher than 14%. The interest rate is fixed for the duration of the judgment.

Under the proposal, the interest rate would be exactly equal to the prime rate charged by banks during the six-month period ending on September 30 of the preceding year, rounded to the nearest full percent, but no lower than 5% and no higher than 14%.

50% of the interest collected as part of the annual installment payments is distributed to the school districts within the county. The remaining 50% is apportioned to the county and to the city or town (in which the property is located) based on their respective local tax rates.

**REVENUE ANALYSIS DETAIL**

- The current interest rate on confession of judgment contracts for owner-occupied homestead property is 10%.
- The current interest rate based on the prime rate charged by banks is 8%.
- Under the proposal, the total amount of interest distributed to counties, school districts, and towns and cities would be reduced.
- This would not impact local government aids administered by the Department of Revenue.
- However, interest distributed to school districts reduces state-paid general education aids, so the proposal would increase Department of Education payments to school districts by an unknown amount.

## PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	The current interest rate for owner-occupied homestead property would be the same as for other property. However, the two interest rates could diverge from one another in the future since owner-occupied homestead property would still be subject to a 5% minimum rate.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

*The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>

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