



**AARP Testimony HF 4822
House Taxes
4/30/2024**

Chair Gomez and Members of the Tax Committee, my name is Mary Jo George, and I am the State Director of Advocacy for AARP Minnesota. On behalf of our 620,000 members statewide, we thank you for the opportunity to submit written testimony in support of **Representative Feist's bill HF 4822**.

As you know, this bill is a result of The Supreme Court's unanimous decision in *Tyler versus Hennepin County*, which recently held that Minnesota's tax foreclosure system violated Ms. Tyler's constitutional right when it retained excess proceeds from the sale of her tax-forfeited condominium. Minnesota is one of 10 states where property owners can lose their entire nest egg if they neglect to pay their property tax bill.

We want to begin by thanking Representing Feist for listening to our concerns and incorporating changes to the bill that will make it much easier for homeowners, especially older vulnerable homeowners to recover their equity in cases of tax forfeiture.

The new claims process makes it much easier for homeowners to file a claim for the excess surplus after the sale of their home through a public auction. It does this by:

- providing more time, now up to 6 months from 6 weeks to file a claim.
- providing better notification to a homeowner to understand the claims process including having a certified letter mailed to them and,
- taking the guesswork out of what is due to homeowners.

So, we are very appreciative of these changes and again want to thank Representative Feist for hearing our concerns. A loss of equity can have a devastating impact on the financial security of lower-income homeowners, particularly for older adults who depend most heavily on this equity for their economic survival.

Thank you for the opportunity to testify and we urge the committee's support. If you have any questions please contact me at mgeorge@aarp.org or 651-271-6586.

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.

April 29, 2024

Chair Gomez and Members of the House Taxes Committee:

Thank you for the opportunity to submit written testimony in support of Rep. Feist's HF 4822, modifying distribution of excess proceeds from sales of tax-forfeited property,

Minnesota Realtors® (MNR) was founded in 1919 and is a business trade association with a membership of over 21,000 real estate professionals statewide active in all aspects of the real estate transaction.

In *Tyler v. Hennepin County*, an elderly homeowner lost her condominium to foreclosure and alleged that the county violated the constitutional ban on takings without just compensation when it kept the excess proceeds from the sale of her property that exceeded the tax debt owed. MNR, along with the National Association of Realtors® and the American Property Owners Alliance, filed an amicus brief in support of the property owner's entitlement to the surplus equity, arguing the state statute results in an unconstitutional taking of private property under the Fifth Amendment.

The U.S. Supreme Court ruled unanimously in favor of the homeowner.

MNR supports the passage of legislation this session that responds to the U.S. Supreme Court's decision in *Tyler* and that ensures homeowners receive the surplus equity following tax-forfeiture to which they are entitled. MNR also believes the process should be as simple as possible for the homeowner.

The notification and claim process in HF 4822 for returning surplus equity to the homeowner addresses MNR's concern with the process in the bill as introduced, which would have required the homeowner to provide notice by written statement that the homeowner believes the value of their interest in the property may exceed the total amount of the delinquent taxes, fees, and penalties. That requirement may not have been understood or followed by some homeowners in tax forfeiture resulting in those homeowners not receiving the equity to which they are entitled.

MNR respectfully recommends additional consideration of the expiration of surplus provision in sec. 2, subd. 9. Even under a simple claim process, there will likely be situations where the homeowner did not submit a claim within the specified period, or the homeowner could not be located. Perhaps Minnesota's unclaimed property program could be utilized to hold any surplus proceeds not claimed before the conclusion of the six-month timeline under sec. 2, subd. 6.

Thank you again for the opportunity to provide written testimony on HF 4822.

Sincerely,



Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®