

Subject Distribution of proceeds from sales of tax-forfeited property

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Overview

This bill creates a process for individuals to file a claim for monetary compensation of excess proceeds from the sale of their property after the property forfeits and is sold for nonpayment of property taxes. Under the bill, all tax-forfeited property would be offered for sale at a public auction, unless it is withheld from sale by the commissioner of natural resources. If the sale results in proceeds in excess of the delinquent taxes and associated costs, penalties, and interest, then any interested party may file a claim for that surplus amount. The bill also creates a process for claims to excess proceeds when mineral interests are forfeited to the state for nonpayment of property taxes.

Background: In May 2023, the U.S. Supreme Court ruled in *Tyler v. Hennepin County*, 598 U.S. 631, 635 (2023), that that the county's retention of excess proceeds received after a sale of a tax-forfeited property violated the takings clause of the Fifth Amendment because the property owner was deprived of those funds. This bill addresses that issue by creating a mechanism for property owners to apply to receive surplus proceeds from the sale of their property after forfeiture.

Summary

Section	Description
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1	Form.
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	Adds text to the notice of expiration of redemption notifying recipients that if their property forfeits, it will be sold, and they may be entitled to excess proceeds from the sale. Under current law and the bill, the period of redemption is the period in which a taxpayer can pay off delinquent taxes and avoid forfeiture. The notice in this section is currently sent to parties to inform them that the period of redemption will
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Section	Description
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be expiring soon, and unless all delinquent property taxes and associated penalties are paid, their property will forfeit.

2 **Tax-forfeited land; initial sale.**

Subd. 1. Public auction required. Requires the sale at a public auction of all tax-forfeited land upon forfeiture, except that mineral interests are reserved for the state under subdivision 8, and any parcel withdrawn from sale by the commissioner of natural resources must not be sold. If a property cannot be sold for more than the sum of delinquent taxes plus associated costs and penalties, the county may dispose of the property as otherwise allowed by statute.

Subd. 2. Definitions. Defines the terms interested party, mineral interest, and minimum bid. The interested party means any party with an interest in the property, including property owners, vendees, mortgagees, lienholders, escrow agents, and lessees of real property. Under the bill, any interested party may file a claim for excess proceeds from a sale of tax-forfeited property. Minimum bid means the sum of delinquent taxes, special assessments, penalties, interest, and costs assessed on the parcel.

Subd. 3. Repurchase. Allows an interested party to repurchase a property that has been forfeited by paying all delinquent taxes, special assessments, penalties interest, and costs, prior to the actual sale of the property.

Subd. 4. Public auction. Requires the sale of tax-forfeited land to occur at a public auction. The sale must occur within six months of the expiration of the period of redemption. Notice of the sale must be provided by website publication at least 30 days before the sale. At auction, the county auditor must calculate and make available the minimum bid. If no buyer is willing to pay the minimum bid, the parcels are disposed of as otherwise allowed by statute.

Subd. 5. Sale proceeds. States that from the proceeds of any sale, the minimum bid must be deposited in a county's forfeited tax sale fund and any excess proceeds must be made available for claims by interested parties.

Subd. 6. Claims for surplus proceeds. Allows an interested party to submit a claim for surplus proceeds from the sale of a tax-forfeited parcel under this section. After the sale, the county auditor has 60 days to notify the parties that the sale resulted in a surplus. Interested parties have six months to submit a claim for the proceeds.

If a 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 file a petition asking the court to determine claimants' rights to the surplus.

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Subd. 7. Manner of service. Creates the method by which counties must notify interested parties of a surplus and the parties' entitlement to potential proceeds. Notice must be sent by certified mail and published on the county's website within 60 days of the sale. A second notice must be sent by first class mail if no claim has been filed within 90-120 days of the sale. Unless the property is vacant, notice must also be provided to the occupants of the property.

Subd. 8. Claims for mineral interests; payment; appropriation. Provides that mineral interests are sold to the state for \$50 upon forfeiture. The county auditor must provide notice to interested parties of this sale and the parties' entitlement to potential proceeds. Interested parties have six months to submit a claim and may submit a claim alleging that the value of the mineral interests exceeds the minimum bid.

If a claimant submits a claim related to mineral interests, the commissioner of natural resources must determine the value of the forfeited interests. If the value exceeds the minimum bid, the commissioner of natural resources must pay the claimant the excess amount. The amount necessary to make these payments is annually appropriated from the general fund.

If a county auditor disputes a claim, or if there is a dispute as to how to divide the payment among multiple claimants, the county auditor may file a petition asking the court to determine claimants' rights to the surplus.

Subd. 9. Expiration of surplus. Returns surplus proceeds to a county's forfeited tax sale fund if no claim for surplus proceeds is made within the allowed time, or if no claimant was determined to be eligible for the proceeds.

Subd. 10. Rights affected by forfeiture. States that forfeiture of a property extinguishes all liens, claims, and encumbrances other than the rights of interested parties to surplus proceeds under the section, rights of redemption under federal law, easements and rights-of-way holders who are not interested parties, and benefits or burdens of any real covenants filed as of the date of forfeiture.

Subd. 11. Property bought by the state. Requires tax-forfeited property acquired by the state to be held in trust for the benefit of the taxing jurisdictions.

3 Land withdrawn from initial sale.

Allows the commissioner of natural resources to withdraw a tax-forfeited property from the public auction required in section 2 if the land:

- Is within the boundaries of a state park;
- Is within the boundaries of a state recreation area;

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- Is adjacent to public waters; or
- Has been designated a mining unit.

Land withheld or withdrawn from sale under this section must be condemned by the commissioner. The commissioner must then commence proceedings used for eminent domain to determine the amount of proceeds due for the taking of land under this section. These proceeds are returned to the county and distributed in the same manner as proceeds from the public auction required under section 2.

4 Duties of commissioner after sale.

Updates a cross reference to include the changes in sections 2 and 3.

5 Repurchase requirements.

Requires any repurchase of tax forfeited land be made prior to the public sale required under section 2.

6 Receipts for payments; certification by county auditor.

Updates a cross reference to include changes in section 2.

7 Department of Natural Resources; appropriation.

Appropriates \$1,537,000 in fiscal year 2025 to the commissioner of natural resources to perform the duties required under section 2 and sets the base for this appropriation at the same amount for fiscal years 2026 and thereafter.

8 Effective date.

Sets the effective dates for sections 1 through 6.



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