

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 3484

(SENATE AUTHORS: KIFFMEYER)

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Introduction and first reading
Referred to Environment and Natural Resources Policy and Legacy Finance

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to taxation; tax-forfeited land sales; requiring that property owners be paid

1.3 just compensation for the taking and sale of tax-forfeited property; amending

1.4 Minnesota Statutes 2020, sections 279.091; 281.18; 282.01, subdivisions 1a, 2, 8;

1.5 282.04, subdivision 2; 282.08; 282.241, subdivision 1.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2020, section 279.091, is amended to read:

1.8 **279.091 MAILING OF NOTICE AND LIST; FAILURE TO MAIL.**

1.9 On or before March 20 immediately following the filing of such list with the court

1.10 administrator of district court, the county auditor shall cause the notice and the pertinent

1.11 portion of the list of delinquent real property to be mailed to all real property taxpayers and

1.12 in addition those parties who have filed their addresses pursuant to section 276.041. ~~Failure~~

1.13 ~~to mail the notice and the pertinent portions of the list shall not be deemed to be a material~~

1.14 ~~defect to affect the validity of the judgment and sale.~~

1.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.16 Sec. 2. Minnesota Statutes 2020, section 281.18, is amended to read:

1.17 **281.18 LANDS MAY BE REDEEMED.**

1.18 Every parcel of land heretofore sold to the state at any tax judgment sale and now subject

1.19 to redemption shall continue subject to redemption until the expiration of the time allowed

1.20 for redemption after the giving of notice of expiration as provided by law. Subject to the

1.21 requirements of section 282.08, clause (5), upon the expiration of such time absolute title

1.22 to such parcel, if not theretofore redeemed, shall vest in the state.

2.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.2 Sec. 3. Minnesota Statutes 2020, section 282.01, subdivision 1a, is amended to read:

2.3 Subd. 1a. **Conveyance to public entities.** (a) Upon written request from a state agency
2.4 or a governmental subdivision of the state, a parcel of unsold tax-forfeited land must be
2.5 withheld from sale or lease to others for a maximum of six months. The request must be
2.6 submitted to the county auditor. Upon receipt, the county auditor must withhold the parcel
2.7 from sale or lease to any other party for six months, and must confirm the starting date of
2.8 the six-month withholding period to the requesting agency or subdivision. If the request is
2.9 from a governmental subdivision of the state, the governmental subdivision must pay the
2.10 maintenance costs incurred by the county during the period the parcel is withheld. The
2.11 county board may approve a sale or conveyance to the requesting party during the
2.12 withholding period. A conveyance of the property to the requesting party terminates the
2.13 withholding period.

2.14 A governmental subdivision of the state must not make, and a county auditor must not
2.15 act upon, a second request to withhold a parcel from sale or lease within 18 months of a
2.16 previous request for that parcel. A county may reject a request made under this paragraph
2.17 if the request is made more than 30 days after the county has given notice to the requesting
2.18 state agency or governmental subdivision of the state that the county intends to sell or
2.19 otherwise dispose of the property.

2.20 (b) Nonconservation tax-forfeited lands may be sold by the county board, for their market
2.21 value as determined by the county board, to an organized or incorporated governmental
2.22 subdivision of the state for any public purpose for which the subdivision is authorized to
2.23 acquire property. When the term "market value" is used in this section, it means an estimate
2.24 of the full and actual market value of the parcel as determined by the county board, but in
2.25 making this determination, the board and the persons employed by or under contract with
2.26 the board in order to perform, conduct, or assist in the determination, are exempt from the
2.27 licensure requirements of chapter 82B.

2.28 (c) Nonconservation tax-forfeited lands may be sold by the county board, for their market
2.29 value as determined by the county board, to a state agency for any public purpose for which
2.30 the agency is authorized to acquire property.

2.31 (d) Nonconservation tax-forfeited lands may not be sold by the county board to an
2.32 organized or incorporated governmental subdivision of the state or state agency for less
2.33 than their market value ~~if~~.

~~(1) the county board determines that a sale at a reduced price is in the public interest because a reduced price is necessary to provide an incentive to correct the blighted conditions that make the lands undesirable in the open market, or the reduced price will lead to the development of affordable housing; and~~

~~(2) the governmental subdivision or state agency has documented its specific plans for correcting the blighted conditions or developing affordable housing, and the specific law or laws that empower it to acquire real property in furtherance of the plans.~~

~~If the sale under this paragraph is to a governmental subdivision of the state, the commissioner of revenue must convey the property on behalf of the state by quitclaim deed. If the sale under this paragraph is to a state agency, the property is released from the trust in favor of the taxing districts and the commissioner of revenue must convey the property on behalf of the state by quitclaim deed to the agency.~~

(e) Nonconservation tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for an authorized public use, if an application is submitted to the commissioner which includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board. For the purposes of this paragraph, "authorized public use" means a use that allows an indefinite segment of the public to physically use and enjoy the property in numbers appropriate to its size and use, or is for a public service facility. Authorized public uses as defined in this paragraph are limited to:

(1) a road, or right-of-way for a road;

(2) a park that is both available to, and accessible by, the public that contains improvements such as campgrounds, playgrounds, athletic fields, trails, or shelters;

(3) trails for walking, bicycling, snowmobiling, or other recreational purposes, along with a reasonable amount of surrounding land maintained in its natural state;

(4) transit facilities for buses, light rail transit, commuter rail or passenger rail, including transit ways, park-and-ride lots, transit stations, maintenance and garage facilities, and other facilities related to a public transit system;

(5) public beaches or boat launches;

(6) public parking;

(7) civic recreation or conference facilities; and

(8) public service facilities such as fire halls, police stations, lift stations, water towers, sanitation facilities, water treatment facilities, and administrative offices.

No monetary compensation or consideration is required for the conveyance, except as provided in subdivision 1g, but the conveyance is subject to the conditions provided in law, including, but not limited to, the reversion provisions of subdivisions 1c and 1d.

(f) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to a local governmental subdivision of the state by quitclaim deed on behalf of the state upon the favorable recommendation of the county board if the governmental subdivision has certified to the board that prior to forfeiture the subdivision was entitled to the parcel under a written development agreement or instrument, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(g) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to the association of a common interest community by quitclaim deed upon the favorable recommendation of the county board if the association certifies to the board that prior to forfeiture the association was entitled to the parcel under a written agreement, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(h) Conservation tax-forfeited land may be sold to a governmental subdivision of the state for less than its market value for either: (1) creation or preservation of wetlands; (2) drainage or storage of storm water under a storm water management plan; or (3) preservation, or restoration and preservation, of the land in its natural state. The deed must contain a restrictive covenant limiting the use of the land to one of these purposes for 30 years or until the property is reconveyed back to the state in trust. At any time, the governmental subdivision may reconvey the property to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue. No part of a purchase price determined under this paragraph shall be refunded upon a reconveyance, but the amount paid for a conveyance under this paragraph may be taken into account by the county board when setting the terms of a future sale of the same property to the same governmental subdivision under paragraph (b) or (d). If the lands are unplatted and located outside of an incorporated municipality and the commissioner of natural resources determines there is a mineral use potential, the sale is subject to the approval of the commissioner of natural resources.

(i) A park and recreation board in a city of the first class is a governmental subdivision for the purposes of this section.

(j) Tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for a school forest under section 89.41. An application that includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board and the commissioner of natural resources must be submitted to the commissioner of revenue. No monetary compensation or consideration is required for the conveyance, but the conveyance is subject to the conditional use and reversion provisions of subdivisions 1c and 1d, paragraph (e). At any time, the governmental subdivision may reconvey the property back to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2020, section 282.01, subdivision 2, is amended to read:

Subd. 2. **Conservation lands; county board supervision.** (a) Lands classified as conservation lands must be purchased at the market value of the property at the time of the forfeiture and held under the supervision of the county board of the county within which the parcels lie and must not be conveyed or sold unless the lands are:

(1) reclassified as nonconservation lands;

(2) conveyed to a governmental subdivision of the state under subdivision 1a;

(3) released from the trust in favor of the taxing districts as provided in paragraph (b);

or

(4) conveyed or sold under the authority of another general or special law.

(b) The county board may, by resolution duly adopted, resolve that certain lands classified as conservation lands shall be devoted to conservation uses and may submit a resolution to the commissioner of natural resources. If, upon investigation, the commissioner of natural resources determines that the lands covered by the resolution, or any part thereof, can be managed and developed for conservation purposes, the commissioner shall make a certificate describing the lands and reciting the acceptance thereof on behalf of the state. The commissioner shall transmit the certificate to the county auditor, who shall note the same upon the auditor's records and record the same with the county recorder. The title to all lands so accepted shall be held by the state free from any trust in favor of any and all taxing districts and the lands shall be devoted thereafter to the purposes of forestry, water

conservation, flood control, parks, game refuges, controlled game management areas, public shooting grounds, or other public recreational or conservation uses, and managed, controlled, and regulated under the jurisdiction of the commissioner of natural resources and the divisions of the department.

(c) All proceeds derived from the sale of timber, lease of crops of hay, or other revenue from lands under the jurisdiction of the commissioner of natural resources shall be credited to the general fund of the state.

(d) If the commissioner of natural resources determines that any tract of land acquired by the state under paragraph (b) and situated within or adjacent to the boundaries of any governmental subdivision of the state is suitable for use by the subdivision for any authorized public purpose, the commissioner may convey the tract by deed in the name of the state to the subdivision upon the filing with the commissioner of a resolution adopted by a majority vote of all the members of the governing body thereof, stating the purpose for which the land is desired. The deed of conveyance shall be upon a form approved by the attorney general and must be conditioned upon continued use for the purpose stated in the resolution.

(e) The county auditor, with the approval of the county board, may lease conservation lands remaining under the supervision of the county board and sell timber and hay stumpage thereon in the manner hereinafter provided, and all proceeds derived therefrom shall be distributed in the same manner as provided in section 282.04.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2020, section 282.01, subdivision 8, is amended to read:

Subd. 8. **Minerals in tax-forfeited land and tax-forfeited stockpiled metallic minerals material subject to mining; procedures.** In case the commissioner of natural resources shall notify the county auditor of any county in writing that the minerals in any tax-forfeited land or tax-forfeited stockpiled metallic minerals material located on tax-forfeited land in such county have been designated as a mining unit as provided by law, or that such minerals or tax-forfeited stockpiled metallic minerals material are subject to a mining permit or lease issued therefor as provided by law, the commissioner may lease the surface of such tax-forfeited land shall be subject to disposal and use at market value for mining purposes pursuant to such designation, permit, or lease, and the net proceeds from such lease shall be distributed proportionally pursuant to section 282.08. The surface of the land shall be withheld from sale or lease to any other entity by the county auditor until the lease is terminated or until the commissioner shall notify notifies the county auditor that such land has been removed from the list of mining units or that any mining permit or lease theretofore

issued thereon is no longer in force; provided, that the surface of such tax-forfeited land may be leased by the county auditor as provided by law, with the written approval of the commissioner, subject to ~~disposal and use for mining purposes as herein provided and to~~ any special conditions relating thereto that the commissioner may prescribe; and also subject to ~~cancellation~~ the commissioner's right to take over the lease for mining purposes on three months written notice from the commissioner to the county auditor.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2020, section 282.04, subdivision 2, is amended to read:

Subd. 2. Rights before sale; improvements, insurance, demolition. (a) Before the sale of a parcel of forfeited land the county auditor may, with the approval of the county board of commissioners, provide for the repair and improvement of any building or structure located upon the parcel, and may provide for maintenance of tax-forfeited lands, if it is determined by the county board that such repairs, improvements, or maintenance are necessary for the operation, use, preservation, and safety of the building or structure.

(b) If so authorized by the county board, the county auditor may insure the building or structure against loss or damage resulting from fire or windstorm, may purchase workers' compensation insurance to insure the county against claims for injury to the persons employed in the building or structure by the county, and may insure the county, its officers and employees against claims for injuries to persons or property because of the management, use, or operation of the building or structure.

(c) The county auditor may, with the approval of the county board, provide:

(1) for the demolition of the building or structure, which has been determined by the county board in specific, written findings supported by evidence to be especially liable to fire or so situated as to endanger life or limb or other buildings or property in the vicinity because of age, dilapidated condition, defective chimney, defective electric wiring, any gas connection, heating apparatus, or other defect; and

(2) for the sale of salvaged materials from the building or structure, the proceeds of which shall be disposed of pursuant to section 282.08.

(d) Notwithstanding any law to the contrary, the county auditor, with the approval of the county board, may provide for the sale ~~or disposal~~ of personal property remaining after the certificate under section 281.23, subdivision 9, has been recorded. The county auditor must make reasonable efforts to provide at least 28 days' notice of the sale or disposal to the former owner, taxpayer, and any occupants at the time of forfeiture. If not claimed and

8.1 costs for storage paid by the owner, a sale may be made by the sheriff using the procedures
8.2 for the sale of the property and disposition of the surplus provided for in section 277.21. If
8.3 the owner abandoned the property, the county may use the procedure in section 345.15 or
8.4 ~~by the county auditor using~~ may use a sale procedure approved by the county board. A
8.5 county may contract with a third party to assist with removal, disposal, or sale of personal
8.6 property. The net proceeds from any sale of the personal property, salvaged materials, timber
8.7 or other products, or leases made under this law must be first used to pay the costs of the
8.8 storage and sale, and then deposited in the forfeited tax sale fund and must be distributed
8.9 under section 282.08 in the same manner as if the parcel had been sold.

8.10 (e) The county auditor, with the approval of the county board, may provide for the
8.11 demolition of any structure on tax-forfeited lands, if in the opinion of the county board, the
8.12 county auditor, and the land commissioner, if there is one, the sale of the land with the
8.13 structure on it, or the continued existence of the structure by reason of age, dilapidated
8.14 condition or excessive size as compared with nearby structures, will result in a material
8.15 lessening of net tax capacities of real estate in the vicinity of the tax-forfeited lands, or if
8.16 the demolition of the structure or structures will aid in disposing of the tax-forfeited property.
8.17 If demolition decreases the value of the property, the county board must account to the
8.18 taxing authorities and the former owner for the difference when distributing proceeds
8.19 pursuant to section 282.08.

8.20 (f) Before the sale of a parcel of forfeited land located in an urban area, the county auditor
8.21 may with the approval of the county board provide for the grading of the land by filling or
8.22 the removal of any surplus material from it. If the physical condition of forfeited lands is
8.23 such that a reasonable grading of the lands is necessary for the protection and preservation
8.24 of the property of any adjoining owner, the adjoining property owner or owners may apply
8.25 to the county board to have the grading done. If, after considering the application, the county
8.26 board believes that the grading will enhance the value of the forfeited lands commensurate
8.27 with the cost involved, it may approve it, and the work must be performed under the
8.28 supervision of the county or city engineer, as the case may be, and the expense paid from
8.29 the forfeited tax sale fund.

8.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2020, section 282.08, is amended to read:

282.08 APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.

The net proceeds from the sale or rental of any parcel of forfeited land, or from the sale of products from the forfeited land, must be apportioned by the county auditor to the taxing districts interested in the land and the former owner of the property, as follows:

(1) the portion required to pay any amounts included in the appraised value under section 282.01, subdivision 3, as representing increased value due to any public improvement made after forfeiture of the parcel to the state, but not exceeding the amount certified by the appropriate governmental authority must be apportioned to the governmental subdivision entitled to it;

(2) the portion required to pay any amount included in the appraised value under section 282.019, subdivision 5, representing increased value due to response actions taken after forfeiture of the parcel to the state, but not exceeding the amount of expenses certified by the Pollution Control Agency or the commissioner of agriculture, must be apportioned to the agency or the commissioner of agriculture and deposited in the fund from which the expenses were paid;

(3) the portion of the remainder required to discharge any special assessment chargeable against the parcel for drainage or other purpose whether due or deferred at the time of forfeiture, must be apportioned to the governmental subdivision entitled to it; and

(4) ~~any balance~~ the county, town or city, and school district must be paid the amount of taxes that were canceled at the forfeiture of the property. The county must be reimbursed for actual costs. Penalties and interest owed at the time of forfeiture must be apportioned as follows:

~~(i) The county board may annually by resolution set aside no more than 30 percent of the receipts remaining to be used for forest development on tax-forfeited land and dedicated memorial forests, to be expended under the supervision of the county board. It must be expended only on projects improving the health and management of the forest resource.~~

~~(ii) The county board may annually by resolution set aside no more than 20 percent of the receipts remaining to be used for the acquisition and maintenance of county parks or recreational areas as defined in sections 398.31 to 398.36, to be expended under the supervision of the county board.~~

~~(iii) Any balance remaining must be apportioned as follows: county, 40 percent; town or city, 20 percent; and school district, 40 percent, provided, however, that in unorganized~~

territory that portion which would have accrued to the township must be administered by the county board of commissioners; and

(5) any balance must be returned to the former owner. If anyone other than the titleholder, including lienholders, submits a claim to a share of the proceeds, the county may deposit the funds with a court and let the court determine who is entitled to the funds.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2020, section 282.241, subdivision 1, is amended to read:

Subdivision 1. **Repurchase requirements.** The owner at the time of forfeiture, or the owner's heirs, devisees, or representatives, or any person to whom the right to pay taxes was given by statute, mortgage, or other agreement, may repurchase any parcel of land claimed by the state to be forfeited to the state for taxes unless before the time repurchase is made the parcel is sold under installment payments, or otherwise, by the state as provided by law, or is under mineral prospecting permit or lease, or proceedings have been commenced by the state or any of its political subdivisions or by the United States to condemn the parcel of land. Upon an application by such interested party to repurchase such forfeited property, the parcel of land ~~may be repurchased~~ must be sold to the applicant for the sum of all delinquent taxes and assessments computed under section 282.251, together with penalties, interest, and costs, that accrued or would have accrued if the parcel of land had not forfeited to the state. ~~Except for property which was homesteaded on the date of forfeiture, repurchase is permitted during six months only from the date of forfeiture, and in any case only after the adoption of a resolution by the board of county commissioners determining that by repurchase undue hardship or injustice resulting from the forfeiture will be corrected, or that permitting the repurchase will promote the use of the lands that will best serve the public interest.~~ If the county board has good cause to believe that a repurchase installment payment plan for a particular parcel is unnecessary and not in the public interest, the county board may require as a condition of repurchase that the entire repurchase price be paid at the time of repurchase. A repurchase is subject to any easement, lease, or other encumbrance granted by the state before the repurchase, and if the land is located within a restricted area established by any county under Laws 1939, chapter 340, the repurchase must not be permitted unless the resolution approving the repurchase is adopted by the unanimous vote of the board of county commissioners.

The person seeking to repurchase under this section shall pay all maintenance costs incurred by the county auditor during the time the property was tax-forfeited.

EFFECTIVE DATE. This section is effective the day following final enactment.