

**TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *March 14, 2024*

LD 2262 – *“An Act to Amend the Process for the Sale of Foreclosed Properties
Due to Nonpayment of Taxes”*

Senator Grohoski, Representative Perry, and members of the Taxation Committee – good afternoon, my name is Peter Lacy, Staff Attorney with the Office of Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration in Support of LD 2262 - *“An Act to Amend the Process for the Sale of Foreclosed Properties Due to Nonpayment of Taxes.”*

This bill is the product of and incorporates recommendations from the working group formed as a result of LD 101 *“An Act to Return to the Former Owner Any Excess Funds Remaining After the Sale of Foreclosed Property,”* which was passed last session. The working group was tasked generally with studying equity and other issues in the property tax foreclosure process, particularly in the context of the U.S. Supreme Court’s recent decision in *Tyler v. Hennepin County*, issued last year. The major recommendations of the group, reflected in this bill, are to 1) remove the existing pre-sale notice and demand requirement, 2) allow municipalities to deduct the costs of improving tax-acquired property, 3) add rules governing when a municipality is unable to contract or sell a property, 4) include a provision governing when a municipality intends to keep a tax-acquired property, 5) require pre-payment notice before distributing excess sale proceeds, 6) provide a process for situations when the former owner cannot be located, 7) remove a provision providing for a

quitclaim deed from a former owner, 8) clarify and strengthen waiver of former owner's rights to file title action, and 9) require recorded notice of payment of proceeds.

The changes to the statute included in this bill and recommended by the working group help clarify the statute and will improve the process for handling these tax-acquired properties, while balancing and protecting the interests of the different stakeholders, including former owners, municipalities, and lenders, and ensuring the State's statutory process meets the requirements of the United States Constitution. The Administration therefore supports passage of the bill.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.