What happens if I don't pay my property taxes?
Property Tax Forfeiture

Be careful!

If you get behind on your property taxes, you could lose your home and any equity you have! This is called property tax forfeiture. Pay attention to all notices from your city or town, your county, and from the State of Minnesota. There are strict timelines involved!



When a person doesn't pay their property taxes over time, their property goes to the state. But the process of losing their home (forfeiture) is run by the county where the property is located. Your county's property tax department is your main contact and source of information.

"Late" vs. "Delinquent" Property Taxes

You have to pay your property taxes by the May and October due dates (usually May 15 and October 15). If you don't, those payments are considered "late" and monthly late fees start getting added on.

If you don't pay your property taxes at all for the year, the State of Minnesota considers the taxes "delinquent" on the first business day of the following year.

An example:

- The first half of your 2020 property taxes are due May 15, 2020. You pay them on time.
- The second half is due October 15, 2020. You don't pay. Now the second half of 2020 property taxes are "late." A late penalty is added to your tax bill on October 16, and the penalty grows each month that you don't pay.
- You have until December 31, 2020, to pay the second half of your property taxes, with all late fees.
- On the first business day of 2021, if you have still not paid everything you owe, your property taxes are "delinquent."

I am delinquent. What happens next?

Once you are "delinquent" on your property taxes, the forfeiture process starts. You have time to fix things, but if you don't start, you end up with your property in forfeiture by the State. If the forfeiture process is completed, the property can be sold at auction, and you lose it.

First, you get a **Notice of Delinquent Taxes** and a **Delinquent Tax Letter** on or around March 20 in the year the taxes are considered "delinquent." If there are any other interested parties, like a person or company with a lien on the property, they get it too. The Notice and Letter are usually on each side of a single page. The Notice tells you the basic timeline of the forfeiture process with important deadlines. The Letter tells you to read the Notice carefully, and also outlines how much is due, calculates interest, and includes payment instructions.

If you don't agree with the tax calculations or assessments in the Notice, you have to file any **objections** in writing by the deadline in the Notice. The Notice tells you how to file. BE CAREFUL! The Notices in some counties are made by computer systems over 40 years old and are hard to read. Read everything carefully and call your county property tax department right away if you have questions!

If you don't have objections, or if a court has ruled against your objection(s), the court enters a **tax judgment**. This means a lien is put on the property for the amount of delinquent taxes.



After a judgment is entered, the property is "**bid in for the state**" on the second Monday in May. This means that the title remains in your name, but the State gets a future interest. This is the start of the Redemption period. Who ends up with the property depends on what happens during the Redemption Period.

Redemption Period

The **Redemption Period** lasts 3 years after the bid in for the state. During this period, you, or any party with a legal interest in the property, has the right of redemption, or can "**redeem**." To redeem, you must pay the delinquent taxes, with any fees and interest.

If you make the payment, the judgment against the property is cancelled and the property is no longer delinquent. The state's future interest in the property is cancelled, and the tax lien is cleared.

If you are 65 or older, you may qualify for the Senior Property Tax Deferral Program. This could help you cure the delinquency and afford your property taxes going forward. For more information go to https://www.revenue.state.mn.us/property-tax-deferral-senior-citizens or contact your county property tax office. There are also programs for veterans and people with disabilities. If an interested party, like a mortgage company, pays the delinquent taxes and redeems the property, the total amount paid is added to the paying party's existing lien. Interest accrues according to the existing lien's terms. BE CAREFUL! If the mortgage company pays your

taxes, and you don't pay them back, they could likely start a foreclosure. It depends on what is allowed by the mortgage. This is especially true if you have a reverse mortgage.

During the Redemption Period, you can enter into a "**Confession of Judgment with the County.**" A Confession of Judgment is like a payment plan and lets you pay the delinquent amount over time instead of all at once. Usually, residential properties can get a 10-year payment plan, but you should check with your county.

How does a Confession of Judgment work?

- You make an agreement to pay your delinquent taxes and fees and interest in equal, yearly installments. You usually pay over 10 years. You have to also pay your current ongoing property taxes.



- You have to make your first payment right away to start the Confession of Judgment. It's considered a down payment.

For a 10-year plan, the down payment is 10% of the delinquent taxes, plus any set up fees and costs.

- Your next payment is "due" on the anniversary of the date you entered the Confession of Judgment. If you don't pay on that date, the county can charge you late fees. **You have to make the payment before December 31 of that year.** Each payment after has to be made by December 31 of each year at the latest.

- If you miss a payment or let the current year's taxes become delinquent, the Confession of Judgment is cancelled. The tax judgment is put back on, and you are back in the forfeiture process.

- If a Confession of Judgment is canceled for non-payment, you can enter into a second one, BUT you can only do 2 Confessions of Judgment.

What if I don't do a Confession of Judgment payment plan?

If you can't redeem or successfully enter a Confession of Judgment payment plan, the Redemption Period ends 3 years after the bid in by the state. You, and other interested parties get one last notice, by certified mail: the "**Notice of Expiration of Redemption**." Most homeowners get this notice sometime in January of the year the redemption period ends.

For example:

- You did not pay your 2020 property taxes.

- The taxes became "delinquent," a judgment was entered, and the property was "bid in by the state" in early 2021. This is when the 3-year redemption period starts.

- If you don't redeem or have an active Confession of Judgment in place, you get the Notice of Expiration of Redemption in January of 2024. This Notice warns you that the 3-year Redemption period ends in the spring of 2024.

You can also sell your house before the Redemption Period expires. You have to pay the county your delinquent property taxes from the proceeds of the sale, but you can save any equity left over. Selling the house to save the equity is a much better option than letting it go to the State.

Forfeiture

The Notice of Expiration of Redemption also tells you that the property will forfeit to the state:

- as early as 60 days after the Notice is mailed, or
- the second Monday in May of that year

whichever is later.



The exact forfeiture date often depends on each county's schedules. Contact your county's property tax department for more information.

Once the forfeiture happens, the county must hold a public auction of the property. They have to publish notice of the public auction in newspapers, websites, and other places that serve the community where the home is located.

How does the public auction work?

The county has to figure out the estimated market value of the home. They try to sell it for that amount for 30 days. After that, the county sets a "minimum bid" amount. This amount is the total of the taxes owed, assessments, penalties, interests, and costs that you owe added together. If nobody bids the minimum bid amount then the property goes to the county. The auction can happen online. Whoever buys the property pays the money to the county.

What if the property is sold for more than I owe?

Sometimes the home is sold at the auction for more than the minimum bid amount of what you owe. The difference between the sale price and the minimum bid amount is called a "surplus." You and other people with a legal interest in the property have the right to file a claim for this surplus money after the sale.

Who else can file a claim besides me?

Anybody who has a legal interest in your home can file a claim for the surplus. An example of this is if someone has a lien against your home for money that you owe to them.

How does the claim process work?

Within 60 days after the sale, the county has to send you a notice of the surplus with a form to fill out. They also send this to any other people with a legal interest. If you don't file a claim within 90 days, they have to send a second notice between 90 and 120 days after the sale. You have to send in the form within 6 months from the date on the notice. If there is more than one claim, the county figures out how much each person should get and pays out the money. If there is a disagreement about this, then the county takes the issue to court. The court decides how much each person should get paid.



What if there are mineral interests on my land?

There are special rules if your land has mineral interest like iron, gas, or coal. These properties do not have a public auction. The state automatically gets the mineral interest for $50. If the value of the mineral interest is higher than the minimum bid amount you owe, you and others can file a claim for the difference between the value of the interest and the minimum bid amount.

Is there anything I can do to keep the house after a forfeiture?

Once a property is forfeited, you have 2 ways to regain title and save any equity you had in the property:

(1) buy the property at the public auction, or
(2) apply to repurchase the property with the county.

Buying at the auction: anyone can bid on and buy a tax-forfeited property at a public auction, except certain county officials and employees. You can bid on the property, but you **can't** buy it for less than you owed in delinquent taxes, penalties, interest, and fees.

Repurchase Application: Any time before the county sells or disposes of the property, you have the right to repurchase (buy again) the property by paying the county everything you owe. This amount includes assessments, taxes, penalties, costs, and interest.

Note: After a property is auctioned, you can't apply to repurchase.

What if I stay in the house?

If you stay in the house after forfeiture, the local county can start eviction proceedings. This is usually a last resort. Counties would rather work with you to find a way for you to leave without eviction. Finding rental housing with an eviction is very hard. It is best to work with your county to avoid this.

Inheriting the Home

Many people with property tax delinquencies and forfeitures inherited their homes. Sometimes a title issue can make it hard to repurchase the home. For example: You inherited your home. The estate of the deceased homeowner was never probated, and the home is not in your name. In this case you may have to probate the estate to get title. The county may work with you to allow a repurchase while you wait for a probate case. Talk about this with your county property tax office as soon as possible in the process.

Beware of Scams!

Property tax delinquencies and scheduled forfeitures are public information! Scammers can access this information and contact you offering to help. They might offer to pay your property taxes if you sign a lien to your house, or even the title itself. This gives them rights to make decisions about your house or get money from it. This is called "equity stripping." DON'T sign anything without talking to a lawyer first!



Where Can I Get Help?

For more information, call or visit your local county's property tax department. In general, the county does not *want* to take your property, but it must follow state law. The county should give you as much information as possible.

Larger counties may have resources and personnel to help homeowners and former homeowners navigate the Confession of Judgment or repurchase processes.

You can also call your legal aid office at 1-(877) 696-6529. Or look for help from other programs at www.lawhelpmn.org/providers-and-clinics.

The Minnesota Department of Revenue has more information about property tax forfeitures at https://www.revenue.state.mn.us/delinquent-real-property-tax-and-tax-forfeiture-manual, including the "Delinquent Real Property Tax and Tax Forfeiture Manual." This is a good resource that describes the forfeiture process in detail.

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