Hartley property - special assessment

Briana Anderson - City of Coleraine

From: Cindy Shevich <Cindy.Shevich@CO.ITASCA.mn.us>
Sent: Wednesday, April 21, 2021 11:04 AM
To: Briana Anderson - City of Coleraine
Cc: Deb Davis; Kory Cease
Subject: Special Assessments

Dear Briana,

There was recently an individual interested in purchasing tax forfeit parcel #88-430-0440 which previously had special assessments. When I reached out to the City in regards to the assessment, I was instructed that the special assessment had to be paid at the time of the signing of the Purchase Agreement. Some research into the Statute has led me to believe the assessment cannot be collected at this time.

Minnesota Statute 282.07 states immediately after forfeiture any parcel of land to the state, the county auditor shall cancel all taxes and tax liens appearing upon the records, both delinquent and current, and all special assessments. It further states, **after a parcel of tax-forfeited land is returned to private ownership**, a municipality may make a reassessment, a new assessment, or a service charge against the parcel in order to recover the amount of any special assessments canceled at the time of forfeiture that were not reimbursed through the distribution of the net revenue from the tax-forfeited land sale.

The Auditor's office has indicated that after a parcel is returned to private ownership, the City may recertify the special assessment in the same manner as when the special was first certified on said tax parcel. Upon certification, the assessment will be added to the tax roles and collected on the subsequent tax statement.

If you have questions, feel free to contact me.

Sincerely,

Cindy Shevich
Real Estate Specialist
Itasca County Land Department
1177 LaPrairie Ave
Grand Rapids, MN 55744
Direct Line: 218-327-7397

Original assessment - $7671.40

~~Current~~ special assessment balance as of (6-8-20) → $8,438.55

if 10 years $843.86 per yr.

if 5 years $1,687.71 per yr.

4-26-21 talked to City Auditor - see last page. bja

Chapter 8: Tax feiturc

Introduction: Stage Si

The final stage of the delinquent real property tax proceedings brings the long, complex process to an end. At this point, the parcels of real property with unpaid delinquent taxes have been forfeited to the state. The titles to the forfeited parcels of real property are being held by the state in trust for the local taxing districts. The disposition of the forfeited parcels is the responsibility of the county auditor and the county board.

At the end of the tax-forfeiture process, the parcels of tax-forfeited land will either be returned to the property tax rolls or put to a public use or purpose.

The following are the major tasks the county auditor and county board are required or permitted to perform in this stage:

> **NOTE**
>
> If a county has a land commissioner, the administration of the tax-forfeited land statutes is the responsibility of the land commissioner's office.

1. The county auditor removes from the tax lists the parcels that forfeited to the state in the name of the local taxing districts.

2. The county auditor cancels all real property tax and special assessment liens on the parcels of tax-forfeited land.

3. The county board has the parcels of tax-forfeited land classified, approved for sale, and appraised.

4. The county auditor makes improvements and grants leases and easements on tax-forfeited land when appropriate.

5. The county auditor dispenses with a tax-forfeited parcel in one of the following ways:
   a. Conveys it a overnmental subdivision free of charge for a public use;
   b. Sells it to a government subdivision or state agency for a public purpose;
   c. Sells it to a third party at market value at a public or private sale; or
   d. Reconveys it to the former owner under a repurchase agreement.

   Upon application by the county, the Department of Revenue issues a state deed to the grantee, purchaser, or repurchaser of a parcel of tax-forfeited land. The State Deed A lication can be found on the Department of Revenue's website.

7. The county auditor deposits all revenues from the tax-forfeited land into a forfeited tax sale fund and distributes the net revenue annually to the local taxing districts.

8. The county auditor returns the parcels that were sold to a third party at a tax-forfeited land sale or repurchased by the former owner to the property tax lists.

Delegation of County Board Powers to Auditor

The county board may delegate to the county auditor any of its authority, powers, or responsibilities under Minnesota Statutes Cha ter 282. The county board may prescribe the conditions for any such delegation and may revoke the delegation without good cause or prior notice. However, if the county auditor holds elective office, any such delegation is subject to the county auditor's consent (Minnesota Statute 282.135).

NOTE

In spite of the authorization to delegate authority, powers, and responsibilities to the county auditor, the county board still retains the authority to appoint a land commissioner to perform the duties as directed by the county board under Minnesota Statute 282.13.

The authorities, powers, and duties that may be delegated by the county board to the county auditor include, but are not limited to (Minnesota Statutes 282.01 and 282.341):

1. The classification of tax-forfeited land as conservation or non-conservation property;
2. The determination of the appraised value for the sale of tax-forfeited land;
3. The determination of the terms of the sale of tax-forfeited land;
4. The sale of tax-forfeited land at public auction.
5. The initiation of legal proceedings to cancel contracts for the purchase or repurchase of tax-forfeited land in default.
6. The authorization to reinstate canceled contracts for the purchase or repurchase of tax-forfeited land.
7. The authorization to approve or disapprove the repurchase of tax-forfeited land by the former owner or other eligible party.

Removal from Ta Rolls

Each parcel of tax-forfeited land is to be removed from the county assessment rolls immediately after the forfeiture regardless of when the forfeiture takes place during the calendar year (Minnesota Statute 272.02). The removal of tax-forfeited land from the tax rolls means that no tax will be levied on the property for the next taxes payable year or for any taxes payable year thereafter until the property is repurchased by the former owner or sold to a taxable third party.

Definition of "Parcel" for Condominium Apartments

Each condominium apartment and its percentage of undivided interest in the common areas and facilities are deemed to be a separate parcel of real property, and are subject to separate assessment and taxation. In other words, when a condominium apartment forfeits for nonpayment of property taxes, its percentage of undivided interest in the common elements also forfeits. The common elements in and of themselves do not forfeit, except in instances where the association has maintained ownership of some common elements and did not pay the tax on them (Minnesota Statute 515.22).

Exception to July 1 Cutoff Date

All assessment values that are recorded by the county assessor or county auditor for real and personal property are to be finalized on July 1 of the assessment year. No changes in the assessment values may be made after July 1 except for the specific changes authorized under statute. One of the authorized exceptions is for property that forfeits to the state for failure to pay real property taxes (Minnesota Statute 274.175).

Rationale for Exception

The exception is needed to avoid an unreasonable and impractical tax situation. If a forfeiture occurs after July 1 and the parcel is not removed from the county assessment rolls, the county auditor would have to levy taxes on the parcel for the following taxes payable year. Levying taxes on the forfeited parcel for the following taxes payable year would be unreasonable and impractical because there would be no one to pay the taxes. The state holds the title to the parcel in the name of the local taxing districts. It would be a waste of time to send a tax statement to the state because the state is exempt from property taxes.

Liens and Encumbrances

What happens to any existing liens and encumbrances on a parcel of real property that is forfeited to the state? This section outlines the major types of liens and encumbrances encountered on tax-forfeited property.

Real Property Tax + Special Assessment Liens

After tax forfeiture, the county auditor cancels all of the following real property taxes and special assessments due and remaining unpaid on each parcel (Minnesota Statute 282.07):

1. Delinquent real property taxes, penalties, costs, and accrued interest for all years under tax judgment.
2. Real property taxes due in the current year along with any penalties for late payment.
3. All special assessments levied before the tax-forfeiture and scheduled to be paid in past years, the current year, or in future years along with any penalties, costs, and accrued interest.

These cancelations allow the state to issue a state deed for the parcel of tax-forfeited land free and clear of any property tax and special assessment liens. Special assessments collected as part of the basic sale price (and levied after the forfeiture) are paid first when the net revenue from the sale is distributed.

Municipality Recovery and Protection of Special Assessments

After a parcel of tax-forfeited land is returned to private ownership, a municipality may make a reassessment, a new assessment, or a service charge against the parcel in order to recover the amount of any special assessments canceled at the time of forfeiture that were not reimbursed through the distribution of the net revenue from the tax-forfeited land sale. Generally, the sale proceeds will be sufficient to pay these assessments. To ensure that, the auditor should make sure the appraiser includes the value added to the parcel by the improvement (Minnesota Statutes 429.071, 435.23 and 444.076).

When new improvements are assessed against a parcel after forfeiture but before the sale, the municipality is to certify the amount of the special assessment to the county auditor. If the appraised value does not include the value of the associated improvement, or if the value is less than the associated assessment amount, the county auditor is to add the remaining amount of the special assessment to the appraised value to determine the basic sale price of the parcel. (Minnesota Statutes 282.01 and 282.08).

Federal Income Tax Liens

A parcel of real property that has forfeited to the state may be subject to a federal income tax lien. If the Internal Revenue Service (IRS) properly received a copy of the Notice of Expiration of Redemption and failed to respond within 120 days of the expiration of the redemption period, the federal income tax lien will no longer remain on the property.

If the county did not notify the IRS regarding the Notice of Expiration of Redemption, the income tax lien is not canceled. In this situation, the county has three options:

1. Send the Notice of Expiration of Redemption to the IRS. If the IRS does not respond within 120 days, the property can be sold without a federal lien attached, provided that notice satisfies the requirements of federal law (26 U.S.C. 7425).

2. Set the appraised value of the parcel high enough to cover the income tax lien. When the property is sold and the lien is paid off, a state deed can be issued clear of the lien.

   Under this option, if the property is repurchased, the price must be high enough to cover both the federal lien and the sum of the real property taxes, special assessments, penalties, costs, and interest which must be reinstated as well as the computed property taxes not levied