

Legislation Text

File #: 26-0096, **Version:** 1

Item Description:

Authorize one-time abatement of property tax penalty in 2026 upon application of taxpayer based upon hardship

Resolution:

BE IT RESOLVED, that penalty for late payment of property tax is eligible for abatement for taxpayers experiencing hardship due to recent federal immigration enforcement, provided that the past due taxes have been paid in full and the property's total taxes payable in 2026 are less than \$250,000; and

BE IT FURTHER RESOLVED, that such abatement will be granted upon application or written request by the owner, or any person or agent who has a legal right to make application on behalf of the owner, indicating the hardship, with applications due by June 30, 2026 for first-half penalties and November 30, 2026 for second-half penalties; and

BE IT FURTHER RESOLVED, that the County Auditor is authorized to extend application deadlines based on specific hardship; and

BE IT FURTHER RESOLVED, that this penalty abatement is allowed in addition to any penalty abatement allowed under the existing policy.

Background:

Hennepin County collects property taxes on behalf of all taxing districts in its boundaries and disburses the taxes following collection. Under Minnesota law, property taxes are payable in two equal installments on May 15 and October 15 of each year.

If not paid by the deadlines, the taxpayer immediately incurs a penalty of 2% (homestead) or 4% (nonhomestead) on the unpaid amount. Additional penalty is added every month for the remainder of the year until a maximum penalty of 8% (homestead) or 12% (nonhomestead) is reached.

The Hennepin County Board has authority under Minnesota Statute § 279.01 to abate penalty in the current year if it finds the penalty is "unjust and unreasonable" and the board is permitted to delegate that authority to the county treasurer.

Some years ago, the County's policy allowed penalty abatements due to extenuating circumstances, and only homestead property was eligible. More recently, the County's current penalty abatement policy was approved with RESOLUTION 22-0535. It provides a property owner with the opportunity to receive a penalty abatement if the property has not had an abatement in the prior 10 years and has no delinquent taxes owed. Applications for penalty abatements are submitted with an online application or by written request.

The County Board may consider authorizing additional penalty abatements under its statutory authority. As a recent example, Hennepin County's penalty abatement policy was altered in 2020 in response to the COVID-19 Pandemic. Through several board actions, the Hennepin County Board recognized the hardships caused by the pandemic and approved automatic relief to taxpayers whose total tax bill was less than \$100,000 for the year and did not pay by escrow. The first was RESOLUTION 20-0151 which provided a sixty day "one-time" abatement for first half if payment was received on or before July 15, 2020. A similar action was approved by the County Board for the second half payment with RESOLUTION 20-0365 providing for an abatement to taxpayers who made payment no later than November 15, 2020. The following year RESOLUTION 21-0089 was passed which provided an automatic abatement for taxpayers who paid their first half payment by June 15, 2021, and their second half payment by November 15, 2021.

As part of Operation Reconnect, the county assessed community needs with a focus on how to mitigate these impacts and support economic stability. This action would authorize a penalty abatement for taxes payable in 2026, based upon hardships caused by Operation Metro Surge, the recent federal immigration enforcement action in Minnesota. Operation Metro Surge has created an extraordinary hardship for some Hennepin County residents. The County Board may conclude under its statutory authority that imposing penalties for the late payment of property tax on residents who have been impacted would be unjust and unreasonable.

This action would allow for a one-time abatement of penalty pursuant to Minnesota Statute § 279.01, subdivision 2, for taxes payable in 2026. Impacted property owners would be required to apply using the application provided by the Hennepin County Auditor. The applicant will be asked to indicate if they are experiencing hardship due to recent federal immigration enforcement. Full payment of the past due property tax must be made prior to submitting the request for penalty abatement.

This action supports the county's disparity elimination efforts in the income and employment domains by rapidly delivering relief to taxpayers most impacted by Operation Metro Surge.

Recommendation from County Administrator: Recommend Approval