

Major U.S. SUPREME COURT DECISION IMPACTING MUNICIPALITIES

Today, the U.S. Supreme Court issued a decision in *Tyler v. Hennepin County, Minnesota*, which is likely to have a major impact on municipal sales of tax-acquired real estate.

The underlying facts revolve around Hennepin County, Minnesota's foreclosure on Geraldine Tyler's condominium for unpaid real estate taxes. After foreclosure, the County seized and sold the condo for \$40,000, which was \$25,000 more than Tyler owed in back taxes. Like Maine law, Minnesota law allows the government to keep tax foreclosure sale proceeds that exceed the taxpayer's tax debt. After the sale, Tyler sued claiming the County violated the U.S. Constitution's Fifth and Eighth Amendments by keeping the excess proceeds.

In a unanimous decision, the Court held that Tyler stated a plausible claim under the Fifth Amendment's Takings Clause, which prohibits the government from taking property for public use without just compensation. The Court found that although Minnesota law allowed the County to seize and sell the condo to recover delinquent taxes, the County violated the constitution by taking more property than was due from Tyler. It was not the foreclosure or sale of the property that violated the constitution, rather, the County violated the Takings Clause by keeping the surplus equity.

MMA Legal Services will be examining the decision in-depth as well as its applicability to Maine's tax-acquired property sale procedures. Stay tuned for more information and updated guidance for municipalities.

It is important to note that the decision does NOT call into question Maine's tax lien mortgage foreclosure statute or invalidate lien processes or lien foreclosures. However, because the decision will likely impact the treatment of excess sale proceeds from tax-acquired property, we recommend that municipal leaders temporarily delay sales of such property or hold any proceeds in escrow until further guidance can be provided.

If you have questions, please contact MMA Legal Services at 800-452-8786 or legal@memun.org.

For a copy of the decision visit the following link: https://www.supremecourt.gov/opinions/22pdf/22-166_8n59.pdf