

Minnesota Tax Expenditure Evaluation of Deed Transfer Tax Exemptions

Prepared for the Tax Expenditure Review Commission

By the Legislative Budget Office

05/27/2026

Prepared by the Legislative Budget Office (LBO) on behalf of the Tax Expenditure Review Commission.

The LBO would like to extend its gratitude to the Minnesota Department of Revenue Tax Research Division for their consultation, cooperation, and analysis in this evaluation.

Additionally, the LBO would like to extend its gratitude to the following entities for their assistance with data utilized in this report:

- Minnesota Department of Revenue
- Minnesota Association of County Officers
- Minnesota Counties

For comments, questions, or concerns regarding this review please contact the Legislative Budget Office:

658 Cedar St. Centennial Building, 1st floor, St. Paul, MN 55155

E-mail: lbo@lbo.mn.gov

Phone: 651-297-7146

Evaluation Team:

Laura Cecko

Vlad Fleurimond

Carlos Güereca

Annie Lemieux

Kate Schiller

Table of Contents

Executive Summary	5
Introduction	6
Background.....	8
Deed Transfer Tax Exemption Collections.....	9
Review of Other States	10
Evaluation	10
Conclusion	16
Appendix A. Other Statutory Components of Review	17
Appendix B. Significant Legislative Changes.....	20
Appendix C. DT1 Form	21
Appendix D. Key Terms	22
Appendix E. DOR Tax Research Data Request.....	23
Appendix F. Survey Questions.....	24

This page is left intentionally blank.



Executive Summary

The Tax Expenditure Review Commission (TERC) is responsible for reviewing the effectiveness and efficiency of Minnesota's tax expenditure policies. The TERC has elected to review and evaluate Minnesota's Deed Transfer Tax expenditures. The deed transfer tax is imposed on the value of real property when it is granted, assigned, transferred, or otherwise changes ownership. The deed transfer tax rate is 0.33 percent of the net considerations (i.e. the price paid for the real property) and is collected by counties that keep 3% and remit 97% to the state General Fund. This report provides an assessment of the six qualifying exemptions with consideration to the first eight components of tax expenditure review required under Minnesota Statutes 2025, chapter 3, section 3.8855, subdivision 5.

This evaluation assesses six qualifying Minnesota deed transfer tax exemptions against their stated objective as identified by the Tax Expenditure Review Commission. The six deed transfer tax expenditures exemptions are:

- Property Partitioned Between Co-Owners
- Distributions by Personal Representatives
- Cemetery Lots
- Mortgage or Lien Foreclosure Sales
- Decree of Marriage Dissolution
- Exchange of Permanent School Fund Lands

By mere existence and utilization, five of these exemptions were determined to meet their objective of defining the deed transfer tax base. These exemptions include deed transfers pertaining to Property Partitioned Between Co-Owners, Distribution by Personal Representatives, Cemetery Lots, Mortgage or Lien Foreclosure Sales, and Decree of Marriage Dissolution. The Decree of Marriage Dissolution was determined to meet the additional objective of lessening the financial burden on individuals undergoing divorce proceedings through utilization. The sixth exemption, which applies to the Exchange of Permanent School Fund Lands, was determined to meet its objective of helping to ensure the Permanent School Fund secures maximum financial return through utilization.

To provide supplemental analysis, this evaluation considered the administrative process of claiming these exemptions and attempted to provide descriptive statistics to the eligible transactions. It was determined that claiming these exemptions is not administratively burdensome. Due to a lack of data, there is not sufficient documentation to examine trends on the utilization or magnitude of each of these exemptions. The evaluation considers a possible adjustment to the tax expenditures to support a better understanding of the utilization and magnitude of the deed transfer tax exemptions is to require the use of the DT1 form, which is an optional form used to process these tax expenditures. This would provide a better understanding of the utilization and magnitude of each deed transfer tax exemption.

Introduction

The Tax Expenditure Review Commission (TERC) is responsible for reviewing the effectiveness and efficiency of Minnesota's tax expenditure policies. The TERC has elected to review and evaluate Minnesota's Deed Transfer Tax expenditures. The deed transfer tax is imposed on the value of real property when it is granted, assigned, transferred, or otherwise changes ownership. The deed transfer tax rate is 0.33 percent of the net considerations and is collected by counties. Counties retain 3% for administrative costs and remit 97% to the state General Fund. This report provides an assessment of the six qualifying exemptions with consideration to the first eight components of tax expenditure review required under Minnesota Statutes 2025, chapter 3, section 3.8855, subdivision 5.

The intent of this evaluation is to measure the effectiveness and efficiency of six qualifying deed transfer tax expenditures. The six deed transfer tax exemptions evaluated here apply to executory contracts. Figure 1 provides an overview of each exemption, related statute and enactment dates, a 2026 estimate of forgone revenue and policy description.¹ Combined, these tax expenditures have an estimated foregone revenue of \$1.7 million to the state General Fund.

This evaluation addresses the review components outlined in Minnesota Statutes 2025, chapter 3, section 3.8855, subdivision 5. Along with addressing the effectiveness and efficiency to which the tax expenditures accomplish their stated objective, the evaluation provides background information on the qualifying exemptions and the deed transfer tax, along with the mechanics of claiming the exemptions. A survey was distributed to county officers to understand the administrative burden and procedure of processing qualifying exemptions. The Commission may consider the findings of this report to recommend whether the expenditure be continued, repealed, or modified.

¹ For estimates of forgone revenue from FY2024-2027, see Appendix A. Other Statutory Components of Review.

Figure 1. Qualifying Deed Transfer Tax Exemptions

Tax Expenditure	Statute	Enaction Date	2026 Estimate of Forgone Revenue**	Description
10.1.01 Property Partitioned Between Co-Owners	Minnesota Statutes, Section 287.22(9)	Enacted: 1984 Recodified: 1999	*	Exemption for a deed to or from a co-owner partitioning undivided interest in the same piece of property
10.1.02 Distributions by Personal Representatives	Minnesota Statutes, Section 287.22(8)	Enacted: 1975 Recodified: 1999	*	Exemption for a deed of distribution by a personal representative
10.1.03 Cemetery Lots	Minnesota Statutes, Section 287.22(7)	Enacted: 1961 Recodified: 1999	\$100,000	Exemption for a deed transferring one or more cemetery lots
10.1.04 Exchange of Permanent School Fund Lands	Minnesota Statutes, Section 287.22(10)	Enacted: 1991 Recodified: 1999	\$50,000	Exemption for a deed or other instrument issued pursuant to a permanent school fund land exchange
10.1.05 Mortgage or Lien Foreclosure Sales	Minnesota Statutes, Section 287.22(11) and (12)	Enacted: 1993	\$1,200,000	Exemption for a referee's or sheriff's certificate of sale in a mortgage or lien foreclosure sale. Also exempt is a referee's, sheriff's, or certificate holder's certificate of redemption from a mortgage or lien foreclosure sale issued to the redeeming mortgagor or lien holder.
10.1.06 Decree of Marriage Dissolution	Minnesota Statutes, Section 287.22(14)	Enacted: 1997	\$400,000	Exemption for a transfer of one spouse's interest in real estate to the other spouse if the transfer is by decree of marriage dissolution, or if the transfer is by deed or other instrument made pursuant to the decree.

Data Source: DOR Tax Research 2024 Tax Expenditure Budget

*Less than \$50,000.

** Estimate of Forgone Revenue is the total estimate for both state and counties.

Background

Minnesota's Deed Transfer Tax

The deed transfer tax is imposed on the value of property transferred from one individual to another, known as a transfer tax. The deed transfer tax was originally enacted in 1961 at a rate of \$1.10 for consideration of \$1,000 or less plus 55¢ for each \$500 in excess of \$1,000. In 2019, the deed tax rates were changed to reflect a minimum and standard tax rate. If the consideration for a conveyance of Minnesota real property is \$3,000 or less, a minimum tax of \$1.65 (\$1.70 for Hennepin and Ramsey County) applies. If the value is greater than \$3,000, the standard deed tax rate of 0.33% applies.

In Minnesota, the standard deed transfer tax rate is 0.33% of the price paid for real property. While the payer of the tax can be negotiated as part of closing cost terms, the tax is commonly paid by the seller. Deed transfer taxes are collected at closing and are remitted to the county where the deed is recorded.² Currently, state law authorizes Ramsey and Hennepin counties to impose an additional local mortgage and deed transfer tax at a rate of 0.01%.³

Minnesota's Deed Transfer Tax Exemptions

Five of the six deed transfer tax exemptions are clarifications that help define the tax base to determine who or what is subject to the deed tax.⁴ The exemption for exchanges of Permanent School Fund (PSF) lands is intended to help ensure maximum financial return consistent with PSF goals and fiduciary responsibilities specified in statute and in the Minnesota Constitution.⁵ The Permanent School Fund distributes funding to public school districts and charter schools in Minnesota annually based on student enrollment and available funds.

The Decree of Marriage Dissolution exemption aims to lessen the financial burden for individuals undergoing divorce proceedings. It therefore differs from the other exemptions, as it targets a particular group of people in order to provide financial relief during a life event.

² Minnesota Statutes 2025, Chapter 287

³ A timeline of significant legislative changes to the deed transfer tax is provided in Figure 3 within Appendix B.

⁴ The Department of Revenue (DOR) explains that a tax exemption, deduction, credit, or lower tax rate must meet a set of seven criteria to be considered a tax expenditure. The deed transfer tax exemptions evaluated in this report are included in the tax expenditure budget and are therefore considered tax expenditures. The five exemptions sharing the objective of defining the tax base are Property Partitioned Between Co-Owners, Distributions by Personal Representatives, Cemetery Lots, Mortgage or Lein Foreclosure Sales, and Decree of Marriage Dissolution.

⁵ Minnesota Statutes 2024, section 11A.16

Figure 2 outlines each exemption included in this evaluation and its approved objective statement.⁶ There are several situations that qualify for a tax exemption. These exemptions are meant to reduce the financial impact in situations that are not related to real estate sales, such as family changes, estate settlements, or certain public purposes.

Figure 2. Deed Tax Exemption Objectives

Exemption	Objectives
TEB 10.1.01 Property Partitioned between Co-Owners	Define the tax base for the application of the deed transfer tax. ⁷
TEB 10.1.02 Distributions by Personal Representatives	Define the tax base for the application of the deed transfer tax.
TEB 10.1.03 Cemetery Lots	Define the tax base for the application of the deed transfer tax.
10.1.04 Exchange of Permanent School Fund	Help ensure the Permanent School Fund secures maximum financial return consistent with fund goals stated in Minnesota Statutes, section 127A.31 and fiduciary responsibilities imposed by Article 11, Section 8 of the Minnesota Constitution.
10.1.05 Mortgage and Lien Foreclosure	Define the tax base for the application of the deed transfer tax.
10.1.06 Decree of Marriage Dissolution	Define the tax base for the application of the deed transfer tax. Lessen the financial burden on individuals undergoing divorce proceedings.

Data Source: LBO Initial Reviews; 2024 Minnesota DOR Tax Expenditure Budget

Deed Transfer Tax Exemption Collections

The deed transfer tax is paid by the seller to the county when the deed is recorded.⁸ For example, a residential property purchased for \$250,000 would incur a deed tax liability of \$825 ($\$250,000 * .0033$). Each county remits 97% of deed transfer tax revenues to the state for deposit in the state General Fund each month. The county retains the remaining 3% to cover administrative expenses.⁹ Form DT1 Deed Tax is made available by the Minnesota Department of Revenue (DOR) to claim a deed tax exemption.¹⁰ The DT1 form serves as certification of deed tax amount and that the deed qualifies for the exemption indicated on the form.¹¹ However, this form is not required to

⁶ For further exemption descriptions and information on enactment dates see Figure 1. Qualifying Deed Transfer Tax Exemptions.

⁷ According to the 2024 Department of Revenue Tax Handbook, the deed transfer tax base is defined as any transfers of real estate by any deed or instrument.

⁸ Minnesota Statutes 2025, section 287.24.

⁹ [Minnesota House Research, "Mortgage and Deed Taxes,"](https://www.house.mn.gov/hrd/pubs/ss/ssmtdtax.pdf) October 2024, <https://www.house.mn.gov/hrd/pubs/ss/ssmtdtax.pdf>

¹⁰ The DT1 form is provided in Appendix C. DT1 Form.

¹¹ Minnesota Department of Revenue, "[DT1, Deed Tax,](https://www.revenue.state.mn.us/sites/default/files/2022-05/dt1.pdf)" <https://www.revenue.state.mn.us/sites/default/files/2022-05/dt1.pdf>

claim a deed tax exemption. A written statement on the deed indicating the specific exemption may be used in place of the DT1 form.¹² Based on information from DOR, as well as a survey of Minnesota counties, it is estimated that 2% of claimants utilize the DT1 form. More discussion about the survey is provided in later sections.

Review of Other States

An analysis of similar exemptions in other states was limited to surrounding midwestern states for a regional comparison. Pennsylvania was also included due to a similar policy design. However, there is no real estate transfer tax in Alaska, Arizona, Idaho, Indiana, Mississippi, Missouri, Montana, New Mexico, North Dakota, Texas, Utah, and Wyoming.

In Wisconsin, South Dakota, and Iowa, the deed transfer tax exemption applies to many of the same situations. These include divorce settlements, transfers to or from a trust, and certain family transactions.¹³ North Dakota does not impose a real estate transfer tax.¹⁴ Pennsylvania has similar exemptions for nonprofit organizations, burial site deeds, and estate transfers.¹⁵ These state exemptions parallel Minnesota's in their objectives, reducing the financial burden in situations that are not typical real estate sales.

At the federal level, there are no direct parallels to the deed transfer tax in Minnesota.¹⁶ Additionally, federal estate taxation offers exemptions based on valuation thresholds, allowing property transfers upon death up to a certain amount.¹⁷ This resembles the deed transfer exemptions that relieve the tax burden in certain life transitions.

Evaluation

Effectiveness and Efficiency

The aim of this evaluation is to measure the degree to which the exemptions meet their stated objectives as defined by the Tax Expenditure Review Commission. Four of the six exemptions—Property Partitioned Between Co-Owners, Distribution by Personal Representatives, Cemetery Lots, Mortgage or Lien Foreclosure Sales—share the same objective of defining the tax base. Further, DOR estimated forgone revenues for those four tax expenditures for various fiscal years indicate that the exemptions have been

¹² Minnesota Department of Revenue, "[Documenting Exempt and Minimum Tax Deeds](#)," MN DOR, Last Updated September 14, 2021, Accessed January 14, 2026, <https://www.revenue.state.mn.us/requirements-claiming-minimum-tax-exemption-deed-tax>

¹³ "Transfer Tax," [Transfer Tax Guidance](#), SF.gov, <https://www.sf.gov/transfer-tax>

¹⁴ [Iowa Code 2026, Section 428A.2](#), <https://www.legis.iowa.gov/docs/code/428A.2.pdf> ; Wisconsin Department of Revenue, "[Real Estate Transfer Fee](#)," October 29, 2021, <https://www.revenue.wi.gov/DORReports/RET2021.pdf> ; Bloomberg Tax Research, "Real estate transfer and deed state by state matrix,"

¹⁵ "Realty Transfer Tax," [Tax Types and Information](#), Commonwealth of Pennsylvania, Accessed January 14, 2026, <https://www.pa.gov/agencies/revenue/resources/tax-types-and-information/realty-transfer-tax>

¹⁶ While there is no federal deed transfer tax, other federal tax rules do tax the transfer of wealth and property. These include the federal gift tax, federal estate tax, and capital gains tax.

¹⁷ "Estate Tax," [Small Business, IRS](#), Accessed January 14, 2026, <https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax>

used, though data is not available on their frequency, magnitude and types of beneficiaries. As such, these four tax expenditures do meet their objective by mere existence and utilization. Further, the tax base for the deed transfer tax is defined as the granting, assigning, transferring, or otherwise conveying of real estate by deed or instrument.¹⁸

A fifth exemption—Exchange of Permanent School Fund Lands—has the objective of helping ensure the Permanent School Fund secures maximum financial return. Though the term “maximum financial return” can be challenging to assess given the lack of data, this tax exemption also meets its objective through utilization. Qualifying exchanges include transferring permanent school fund lands located in state parks or waysides for other lands that meet the permanent school fund goals.¹⁹ Therefore, removing this exemption and applying the deed transfer tax on qualifying transfers would reduce the contribution to the School Fund.²⁰ The financial contribution of this exemption is relatively small. For FY 2025, estimated forgone revenue was less than \$50,000 as compared to the total Fund endowment of \$57,926,890.

The last exemption—Decree of Marriage Dissolution—has the dual objective of defining the tax base for the application of the deed transfer tax and lessening the financial burden on individuals undergoing divorce proceedings. As with the other 5 exemptions, there is not sufficient available claims data to determine the magnitude of the impact that this exemption has on lowering financial burden of individuals undergoing divorce proceedings. Without exemption, individuals who are undergoing divorce proceedings would have to pay a higher deed transfer tax. Therefore, this exemption is thought to likely lessen financial burden. However, more data on the frequency of utilization as well as exempted claim amounts would be beneficial for future evaluation analysis.

Even though the six tax exemptions discussed above are likely to meet their objectives through utilization, assessing their efficiency—the costs at which the exemptions meet their objectives—remains a challenge since data is not available on the number and amount of claims for the six exemptions.

Future Considerations of Tax Expenditure Objectives

To some extent, five of the six deed transfer tax exemptions evaluated here can be argued to lessen tax burden on their respective targeted populations. That is, with the enactment of the exemptions, some groups end up paying less in taxes than they would have otherwise for the same transactions. However, without data to understand the

¹⁸ “2024 Tax Expenditure Budget,” Minnesota Department of Revenue Tax Research, November 1, 2024; Additional exemptions from the deed transfer tax not included in this evaluation are outlined in statute. However, DOR does not define these as tax expenditures pursuant to their definition of a tax expenditure and as such are not included within the Tax Expenditure Budget.

¹⁹ Minnesota House of Representatives Research Department, “[Mortgage and Deed Taxes in Minnesota](https://www.house.mn.gov/hrd/pubs/mortdeedtx.pdf),” April, 2002, <https://www.house.mn.gov/hrd/pubs/mortdeedtx.pdf> ; Minnesota Office of School Trust Lands, “[Governance](https://mn.gov/school-trust-lands/governance/#1),” <https://mn.gov/school-trust-lands/governance/#1>

²⁰ Minnesota Office of School Trust Lands, “[Governance](https://mn.gov/school-trust-lands/governance/#1).”

frequency of exemption claims and types of beneficiaries, the magnitude of the impact on each targeted population is not known. For future evaluations, further analysis could include revisiting or revising the proposed objective statements of defining the tax base to include lessening of tax burden on specific groups. For example, the Decree of Marriage Dissolution exemption has the dual objective of defining the tax base and lessening the financial burden for those undergoing divorce proceedings. An analysis of whether such a dual objective would be appropriate for the other deed transfer tax exemptions may allow for further understanding of the effectiveness and efficiency of these tax exemptions.

Administrative Burden

All six deed transfer tax exemptions evaluated in this report share the same administrative procedures for processing and verification of an exemption. Deed transfer tax is collected at the county level. Of the total proceeds collected, 3% is deposited in the County Revenue Fund while 97% is deposited into the state General Fund. To get a sense of how burdensome it is for counties to collect deed transfer tax, a survey was distributed to Minnesota counties.

First, the survey addresses the processing time per deed transfer tax review and collection, apart from other closing paperwork. Of the county survey respondents, 52% reported an average of 5 and up to 10 minutes, 32% reported less than 5 minutes, 16% reported more than 10 minutes and up to 15 minutes, and 0% reported taking over 15 minutes. Second, the survey addresses the fraction of deed transfer tax transactions that use paper or take place electronically, as that distinction can impact administrative burden. Counties reported an average of 61% of land transfers are recorded electronically or eRecorded.²¹ Thus, increasing the number of transactions that are eRecorded might reduce administrative burden.

There are two ways to claim a deed transfer tax exemption. Either a statement on the deed indicating the specific exemption to be applied or the DT1 tax form can be used. To the extent that this distinction matters for administrative burden, counties estimated that 2% of deed transfer exemptions claimed utilized the DT1 form. When asked if counties had any recommendations to improve the process for processing exemptions, five of the sixteen responses recommended making the DT1 form a requirement for claiming an exemption. DOR reported that they do not see any opportunity for improvements in deed transfer tax exemption form processing at this time. Finally, though not addressed in the survey, the process was deemed to not be administratively burdensome on claimants as compared to other tax expenditures that the LBO evaluated.

²¹ For definitions of eRecorded and other key terms, see Appendix D. Key Terms.

Survey

There is not a central source of data regarding the deed transfer tax exemptions for the state as the deed transfer tax is collected at the county level.²² Further, the exemption tracking process can vary across Minnesota counties. To help fill this gap and improve our understanding of deed transfer tax for future evaluations, the LBO collaborated with the Minnesota Association of County Officers (MACO) to conduct a survey to all 87 Minnesota counties.²³ Future evaluations might attempt to collect complete deed transfer tax data from all Minnesota counties. Another alternative for future evaluations might be to analyze DT1 data from a few representative counties and extrapolate the findings to as many other counties as possible. Nevertheless, the aim of the survey the LBO administered with MACO was to have some idea of basic DT1 claims and utilization of each exemption type from a few subsets of Minnesota counties.

The survey was administered using SurveyMonkey software via email that resulted in a response rate of 31 out of 87 counties, or 36%. MACO provided input on survey questions and sent the survey on behalf of the LBO directly to the relevant contact within each county. Of the 31 responses, 13 respondents held county recorder roles, 5 held auditor-treasurer roles, 4 held property recorder roles, and the remaining 9 respondents held a variety of positions within the land records and property sphere. This might be one explanation for why the collection process is not uniform across counties. Further, respondents used a variety of land records software systems to process land transfers. The two most common vendors reported were Trimin and Tyler Technologies.²⁴

There is limited data on deed transfer tax claims that counties process.²⁵ To get some idea of what those numbers might be for a subset of counties, survey questions asked for a count of all deeds recorded, a count of deeds with deed tax paid, a count of deeds with an exemption, and an actual or estimated total deed transfer tax dollar amount exempted by year from 2020-2024.²⁶ This evaluation addresses the six deed transfer tax exemptions considered to be tax expenditures as defined by the DOR. However,

²² For a list of available data request answers from the Department of Revenue, see Appendix E.

²³ Questions were intended to understand the enforcement and filing process, administrative burden, and frequency of claims. MACO offered feedback on question scope and formatting based on knowledge of available deed transfer tax county level data. Survey questions for county officers were distributed by MACO. See Appendix F for a full list of survey questions to county administrators. While survey methodology and response rate is discussed in tandem to an evaluation of deed transfer tax exemptions, results are reported specifically for responses pertaining to the evaluation of deed transfer tax expenditures. For results pertaining to questions regarding the mortgage registry tax, see the mortgage registry tax evaluation. While a survey was administered to collect existing available claims data from each county, the survey was voluntary, and not all counties were able to provide specific claims data due to technology or data limitations.

²⁴ Four unique software system vendors were listed in survey responses: Tyler Technologies, TriMin, West Central Indexing, and Fidar.

²⁵ Minnesota Department of Revenue, "[Mortgage Registry Tax Debt Subject to Tax](https://www.revenue.state.mn.us/mortgage-registry-tax-debt-subject-tax)," Updated August 27, 2020, <https://www.revenue.state.mn.us/mortgage-registry-tax-debt-subject-tax>

²⁶ No counties were able to provide data for total deed tax dollar amount exempted.

there are fifteen distinct deed transfer tax exemptions in current statute. As such, the average count of deeds with an exemption would include any deed transfer tax exemption and cannot be isolated to the six included within this evaluation. Because of this, assumptions cannot be made about relationships between the data collected for each question.

Figure 3 provides context to the scale of recorded exempt and non-exempt deeds in Minnesota. The table provides a summary of available deed transfer tax data. Some respondents were unable to provide data for all questions so a response rate by question is provided. 28 counties recorded on average of 3,637 deeds from 2020 to 2024. 14 counties reported an average of about 3,506 deeds with deed transfer tax paid from 2020 to 2024. On average, around 11% of all deeds with owed deed transfer tax had an exemption over the same five-year period. The survey is not representative of all Minnesota counties, and not all county respondents were able to answer all questions due to data limitations.

Figure 3. County Level Deed Records 2020-2024

Calendar Year	Average Count of Deeds Recorded (n=28)	Average Count of Deeds with Deed Tax Paid (n=14)	Average Count of Deeds with an Exemption (n=11)
2020	3,744	3,669	341
2021	4,422	4,356	381
2022	3,756	3,574	397
2023	3,090	2,902	397
2024	3,176	3,031	400

Data Source: LBO County Survey, 2025

Note: This table is created from a survey to counties pertaining to all deed transfer tax exemptions and does not isolate the impact of the exemptions evaluated within this report.

Figure 4 provides the median values for all responding counties to give a general sense of available claims data across counties for 2024. Counties reported a median of 1,469 deeds recorded. Counties reported a median of 515 deeds with deed transfer tax paid. Counties reported a median of 187 deeds with an exemption.

Figure 4. Median County Deed Transfer Tax Data for All Responding Counties 2024

Year	Median Count of Deeds Recorded (n=27)	Median Count of Deeds with Deed Transfer Tax Paid (n=13)	Median Count of Deeds with an Exemption (n=10)
2024	1,469	515	187

Data Source: LBO County Survey, 2025

Note: This table is created from a survey to counties pertaining to all deed transfer tax exemptions and does not isolate the impact of the evaluated exemptions.

Limitations

Data limitations for this evaluation include a lack of available data from DOR due to exemption processing taking place at the county level. While a survey was administered to collect available claims data from a subset of Minnesota counties, the survey was not randomized, and not all respondents were able to provide claims data due to the optional nature of the survey, technology, or data limitations. Additionally, for deed transfer tax exemptions, DOR offers an associated exemption form titled DT1, Deed Tax to document claims for exempt of minimum tax transfers. As the form is optional, most of the transfers processed do not utilize the form and instead include a statement on the deed itself indicating the specific exemption. The collection process is not uniform across counties. This explains why a limited number of counties were able to provide the count and dollar amount of deeds with an exemption for this analysis.

Potential Modifications to the Exemptions for Future Evaluations

Future evaluations of these exemptions might redefine their objective statements to include lessening tax burden on specific groups of beneficiaries. To facilitate examining the effectiveness and efficiency of these modified objective statements, potential modifications to mitigate future data limitations might include tracking utilization through a requirement of the DT1 form when claiming an exemption. As a part of the survey to counties, 5 of the 16 respondents suggested in an open suggestion question that requiring the DT1 form would be helpful in both understanding which exemption is being claimed at the time of transfer as well as tracking exemption claims. Currently, because the DT1 form is not required to claim a deed transfer tax exemption, DOR reports that approximately 2% of transfers include a completed form. Claims utilization data was requested from DOR to better understand the frequency of claims by exemption type in Minnesota. In general, documentation of the frequency of exempt deed transfers by

exemption type would increase understanding of both the efficiency and the effectiveness of these exemptions.

Conclusion

The Property Partitioned Between Co-Owners, Distribution by Personal Representatives, Cemetery Lots, Mortgage or Lien Foreclosure Sales, and Decree of Marriage Dissolution exemptions all meet their objective of defining the deed transfer tax base through utilization. The Decree of Marriage Dissolution exemption also meets its objective of lessening the financial burden on individuals undergoing divorce proceedings through utilization. Without the exemption, individuals undergoing divorce proceedings would be required to pay the deed transfer tax. Finally, the Exchange of Permanent School Fund Lands exemption meets its objective of helping to ensure the Permanent School Fund secures maximum financial return through utilization as well. Without this exemption, exchanges of permanent school fund lands would be charged the deed transfer tax and thus not secure maximum financial return to the school fund.

The lack of data collected on the deed transfer tax exemptions does not allow for knowing the utilization and magnitude of each exemption. As such, it is challenging to measure the scale of impact of the tax expenditures. A possible adjustment to address this issue would be to require the use of the DT1 form. Counties suggested the required use of the DT1 form would not substantially increase the burden on the individuals utilizing the tax expenditures nor would it substantially increase the burden on counties. This adjustment to the program would contribute to a better understanding of the utilization of each exemption.

Appendix A. Other Statutory Components of Review

Minnesota Statutes, section 3.8855, subdivision 5 outline components of review required when conducting a tax expenditure evaluation. The estimate of foregone revenue, revenue neutral rate, incidence, and effectiveness of a tax expenditure as compared to direct expenditure are provided below for completeness but did not impact the overall evaluation findings.

Estimates of Forgone Revenue

Figure 5. Estimates of Forgone Revenue

Exemption	FY2024	FY2025	FY2026	FY2027
Property Partitioned Between Co-Owners	*	*	*	*
Distributions by Personal Representatives	*	*	*	*
Cemetery Lots	\$100,000	\$100,000	\$100,000	\$100,000
Exchange of Permanent School Fund Lands	*	*	*	*
Mortgage or Lien Foreclosure Sales	\$1,100,000	\$1,100,000	\$1,200,000	\$1,200,000
Decree of Marriage Dissolution	\$400,000	\$400,000	\$400,000	\$400,000

*Less Than \$50,000

Data Source: Minnesota Department of Revenue 2024 Tax Expenditure Budget

Comparing the effectiveness of the tax expenditure and a direct expenditure

Upon conducting a review of other states, 42 other states have various tax exemptions for transfer of real property.

No direct expenditure programs were identified in Minnesota for the transfer of real property.

Estimating the amount by which the tax rate for the relevant tax could be reduced if the revenue lost due to the tax expenditure were applied to a rate reduction

According to analysis by the DOR Tax Research Division in the 2024 Tax Expenditure Budget, if the tax expenditures were repealed, the change in the deed transfer tax rate would be negligible.

The incidence of the tax expenditure and the effect of the expenditure on the incidence of the state's tax system

None of the tax expenditures included in this evaluation are considered to be significant tax expenditures as defined by DOR Tax Research and therefore excluded from the requirement for an incidence study as part of a tax expenditure evaluation per Minnesota Statute, section 3.8855.

Related State and Federal Tax Programs

To the best of the LBO's knowledge, there are no programs in Minnesota that target the same group of taxpayers for similar activities as the following four exemptions: Cemetery Lots, Distributions by Personal Representatives, Property Partitioned between Co-Owners, and Mortgage and Lien Foreclosure Sales.

The Permanent School Fund gains net proceeds for investment into the fund from various land management activities that include the sale of timber, lease revenue, and mineral-related revenue generating activities.²⁷ As the lands are managed by the state and held in trust, they would not be a part of the property tax base.²⁸ To the best of the LBO's knowledge, upon reviewing associated Minnesota statute and constitutional articles pertaining to the fund, no other tax programs related to the permanent school fund securing maximum financial return were identified.²⁹

As with the Decree of Marriage Dissolution exemption, there are many financial programs that aim to lessen the financial burden on individuals undergoing divorce proceedings. However, these programs are limited to privately funded legal support

²⁷ Minnesota Office of School Trust Lands, "[Roles and Responsibilities](https://www.house.mn.gov/hrd/pubs/mnschfin.pdf)," <https://www.house.mn.gov/hrd/pubs/mnschfin.pdf>

²⁸ Minnesota Office of School Trust Lands, "Roles and Responsibilities."

²⁹ Minnesota Constitution Article XI, section 8, section 10-11 ; Minnesota Statutes 2025, section 1.0451, subdivision 2 ; Minnesota Statutes 2025, section 8.04; Minnesota Statutes 2025, sections 11A.12, 11A.16, and 11A.24.; Minnesota Statutes 2025, sections 16A.06 and 16A.125. ; Minnesota Statutes 2025, sections 92.025, 92.03, 92.12, 92.122, 92.13, 92.145, 92.46, and 92.83. ; Minnesota Statutes 2025, sections 93.22, 93.2236, and 94.342. ; Minnesota Statutes 2025, sections 127A.352 and 127A.353. ; Minnesota Statutes 2025, section 287.22. ; Minnesota Statutes 2025, section 473.666. ; Minnesota Statutes 2025, section 94.3495. ; Minnesota Statutes 2025, sections 127A.30-33 and 127A.351.

programs and are widely administered in the form of various legal aid programs. As such, these programs fall outside the scope of this analysis.

Appendix B. Significant Legislative Changes

Figure 6. Legislative Changes

Year	Significant Legislative Change
1961: Enactment	The deed transfer tax was originally enacted in 1961 at a rate of \$1.10 for consideration of \$1,000 or less plus 55¢ for each \$500 in excess of \$1,000.
1967: Rate Change	The rate was increased to \$2.20 for the first \$1,000 and \$1.10 for any additional \$500.
1973: Tax Base Expanded	Corporations are subject to the tax.
1987: Rate Change	In 1987, the rate was changed to \$1.65 for consideration of \$500 or less plus \$1.65 for each additional \$500.
1999: Technical Changes	Chapter 287 was recodified in 1999 making technical changes, eliminating outdated language, adding definitions, clarifying language, and arranging provisions in a more logical order. Of note for this review, the term “consideration” was defined, the definition of “real property” as applied to the deed tax was clarified, and the determination of tax liability was clarified. ³⁰
2001: Restatement	In 2001, the tax was restated as 0.33% of consideration (the equivalent of \$1.65 per \$500) when the consideration exceeded \$500. If consideration was \$500 or less, a minimum tax of \$1.65 applied.
2003: Remittance	Counties were required to accelerate remittance to the state for tax collected in June (June 2004).
2019: Minimum Tax Threshold Change	In 2019, the minimum tax threshold was changed from \$500 to \$3,000.
January 1, 2028: Expiration	The Ramsey and Hennepin county deed transfer tax rate of 0.01% will expire on January 1, 2028.

Data Source: Minnesota Tax Handbook; Minnesota House Research

³⁰ Laws of Minnesota 1999, chapter 31; For a list of key terms, see Appendix D.

Appendix C. DT1 Form



DT1, Deed Tax



Form DT1 may be used to document your claim for an exempt or minimum tax transfer. Note: In the absence of a qualifying reason, deed tax must be based on at least the fair market value of the property being conveyed (M.S. 287.20, subd. 2). The "full" deed tax rate is .0033 (.0034 in Hennepin/Ramsey Counties).

Deed Tax	Name of Grantor	Enter Reason Code (see below)	
	Name of Grantee		
	Property ID Number	Deed Tax Amount	
		Minimum Tax = \$1.65 (\$1.70 for Hennepin and Ramsey counties)	
Sign Here	Grantor, grantee or representative, sign below		
	<i>I declare that the information on this certificate is correct and complete to the best of my knowledge and belief. I understand that there are penalties for underpayment of tax (M.S. 287.31 and M.S. 287.325).</i>		
	Signature of Grantor/Grantee or Authorized Agent	Title	Date
	Print Name	E-mail Address (optional)	Daytime Phone
	Address	City	State ZIP Code
	If you have questions, call 651-556-4721.		

Reason codes

Exempt transfers

- 1 Transfer of real property by court order. The change in ownership must result from the order itself.
- 2 Transfer of real property through certificate of sale issued to the purchaser in a mortgage or lien foreclosure sale.
- 3 Transfer of real property through a certificate of redemption issued to the redeeming mortgagor, their heir, devisee or representative.
- 4 Deed to or from the federal government.
- 5 Deed conveying real property located within the historic boundaries of a federally recognized American Indian tribe if the grantor or grantee is the tribal government or member of a tribe.
- 6 Deed between the parties to a marriage dissolution pursuant to the terms of the dissolution decree.
- 7 Deed conveying a cemetery lot or lots.
- 8 Deed by a personal representative distributing the decedent's property according to the terms of the will or probate court order.
- 9 Transfer on death deed defined under M.S. 507.071.
- 10 Deed between co-owners partitioning their undivided interest in the same piece of property.
- 11 Transfer pursuant to a permanent school fund land exchange under M.S. 92.121 and related laws.

- 12 Deed or other instrument that grants, creates, modifies or terminates an easement.
 - 13 Deed transferring real property pursuant to a Ch. 11 or Ch. 12 plan of reorganization.
 - 14 Deed resulting from a business conversion as listed in M.S. 287.21.
- Minimum tax transfers**
- Designated transfers (codes 15 through 20).
- 15 Deed between a sole owner and entity owned directly or indirectly by that sole owner, or between two entities owned directly or indirectly by the sole owner.
 - 16 Deed between a husband and wife and an entity owned directly or indirectly by the couple, or between two entities owned directly or indirectly by the couple.
 - 17 Deed between co-owners and an entity owned directly or indirectly by the co-owners, or between two entities owned directly or indirectly by the co-owners.
 - 18 Deed between a grantor and a revocable trust created by that grantor.
 - 19 Deed transferring substantially all assets of a corporation pursuant to a reorganization under IRC section 368(a).
 - 20 Deed transferring substantially all assets of a partnership pursuant to a continuation under IRC section 708.

Ownership change provision: Any ownership change in the grantee/transferee entity within six months after a designated transfer triggers a **retroactive deed tax**.

- 21 Deed of real property resulting from the consolidation or merger of two or more corporations, limited liability companies, or partnerships, or any combination of such entities.
- 22 Deed gifting real property.
- 23 Deed given in lieu of foreclosure. Deed includes non-merger language and the FMV of the property minus the mortgage lien is \$3,000 or less.
- 24 Deed correcting error for less than \$3,000 of consideration (corrective deed).
- 25 Deed from an intermediary as part of an IRC section 1031 exchange. The intermediary's total document fee for the transfer is \$3,000 or less. A "full" deed tax was paid on the FMV of the real property when the transfer was made to the intermediary.
- 26 Deed written between a principal and agent, and the agent's total compensation for the entire transaction, monetary or otherwise, is less than \$3,000.
- 27 Deed to a builder for the purpose of obtaining financing to build an improvement for the grantor. Upon completion the real property is reconveyed to the land owner.
- 28 If above codes do not apply, use Code 28 and explain below or attach a separate sheet.

(Rev 4/21)

Appendix D. Key Terms

Conveyance of Real Property: Legal transfer of ownership, title, or interest of real property.

eRecorded: An electronically recorded document means a document is received by the county recorder in an electronic form and digitally processed.

Executory Contract: A contract for deed for the conveyance of residential real property under which the seller provides financing for the purchase of the residential real property and under which the purchaser does or has a right to go into possession. For more information on what an executory contract does not mean see [Minnesota Statute 2025, section 507.235, subdivision 1a \(e\)](#).

Incidence: Indicates who pays Minnesota's household and business taxes.³¹

Land Records Software Systems: Software system used by a county to process mortgage transfer paperwork and other associated land records.

Net Consideration: Net consideration is the total purchase price less the value of any liens or encumbrances, included in the purchase price, that remain on the real property at the time of the sale and are not removed as a result of the sale (mortgage being assumed by buyer, special assessment liens, mechanic liens, etc.).³²

Real Property: Real Property includes: (1) land; (2) anything growing on the land; and (3) anything permanently constructed on the land. For a more detailed definition of real property see [Minnesota Statute 2025, section 272.03](#).

Revenue Neutral Rate: Refers to changes in tax law that result in no net change to the total amount.³³

³¹ Minnesota Department of Revenue Tax Research, 2024 Tax Expenditure Budget

³² Minnesota Department of Revenue, "[Deed Tax Consideration](https://www.revenue.state.mn.us/mndor-pp/961?type=html)," <https://www.revenue.state.mn.us/mndor-pp/961?type=html>

³³ Minnesota Department of Revenue Tax Research, 2024 Tax Expenditure Budget

Appendix E. DOR Tax Research Data Request

1. Total claims and total deed tax amounts for as many years back available.
 - *DOR Response:* Not Available
2. DT1 claims counts by reason code for as many years back available.
 - *DOR Response:* Not Available
3. Is the DT1 form required?
 - *DOR Response:* The form is voluntary and is used to clarify non-standard transactions and to claim an exemption.
4. If the form is not required, is there a sense of how often people are including this form as a part of their deed tax exemption process?
 - *DOR Response:* Rough estimate – 2%
5. When someone claims an exemption without utilizing the DT1 form, does DOR participate in any alternative certification process?
 - *DOR Response:* No. Any verification would happen prior to the document being recorded. The county would reject the document and ask further information. We rely on county staff who review the documents.
6. Does DOR see any opportunity for improvements in deed transfer tax exemption form processing?
 - *DOR Response:* No

Appendix F. Survey Questions

1. What County are you responding on behalf of?
2. What is your role within your county?
3. What is the average processing time per mortgage registry tax review and collection apart from other closing paperwork (such as eCRV, well certificate, and other general recording)?
 - a. Less than 5 minutes
 - b. Over 5 and up to 10 minutes
 - c. Over 10 and up to 15 minutes
 - d. Over 15 minutes
4. What is the average processing time per deed transfer tax review and collection apart from other closing paperwork (such as eCRV, well certificate, and other general recording)?
 - a. Less than 5 minutes
 - b. Over 5 and up to 10 minutes
 - c. Over 10 and up to 15 minutes
 - d. Over 15 minutes
5. What percentage of your documents are eRecorded vs on paper? (estimate is ok)
6. Of the mortgages and deed transfers processed, can you provide an estimate percentage of how many utilize the MRT1 and DT1 form?
 - a. MRT1 Form
 - b. DT1 Form

If you are able to provide the following information for deeds recorded, please fill out the following series of questions to the best of your ability.

7. Count of All Deeds Recorded 2019-2024
8. Count of Deeds with Deed Tax Paid 2019-2024
9. Count of Deeds with an Exemption 2019-2024
10. Actual or Estimate of Total Deed Tax Dollar Amount Exempted 2019-2024

If you are able to provide the following information for mortgages recorded, please fill out the following series of questions to the best of your ability.

11. Count of All Mortgages Recorded 2019-2024
12. Count of Mortgages with Mortgage Registry Tax Paid 2019-2024
13. Count of Mortgages with an Exemption 2019-2024
14. Actual or Estimate of Total Mortgage Registry Tax Dollar Amount Exempted 2019-2024
15. Does your county have any verification process when people claim mortgage registry or deed transfer tax exemptions?
 - a. No
 - b. Not Sure
 - c. Yes (Please Specify)
16. Do you capture the type of exemption that is claimed within your county's verification process? See MRT1 and DT1 forms for more information on types of available exemptions.
 - a. Yes
 - b. No
 - c. Other (Please Specify)
17. If you capture the type of deed transfer tax exemption that is claimed within your county's verification process please provide the number of exemptions claimed by reason code in 2024. Reason codes can be found in the DT1 form for your reference.
18. If you capture the type of mortgage registry tax exemption that is claimed within your county's verification process please provide the number of exemptions claimed by reason code in 2024. Reason codes can be found in the MRT1 form for your reference.
19. What vendor provides your land records recording software?
20. Is the 3% of mortgage registry and deed tax retained at the county level adequate for the administrative costs associated with collecting and remitting the tax?
 - a. Yes
 - b. No
 - c. Not Sure
21. Do you have any recommendations for ways to improve processing or logistics related to mortgage or deed transfer tax paperwork?

Appendix G. Metropolitan Statistical Areas

Appendix G provides an overview of the metropolitan statistical areas in Minnesota defined by the Minnesota Department of Employment and Economic Development.

Metropolitan Statistical Area	Counties Included
Minneapolis-St. Paul- Bloomington, MN- MSA	Anoka County Carver County Chisago County Dakota County Hennepin County Isanti County Le Sueur County Mille Lacs County Ramsey County Scott County Sherburne County Sibley County Washington County Wright County
Duluth, MN-WI MSA	Carlton County, MN St. Louis County, MN Douglas County, WI
St. Cloud, MN MSA	Benton County Stearns County
Rochester, MN MSA	Dodge County Fillmore County Olmsted County Wabasha County
Mankato-North Mankato, MN MSA	Blue Earth County Nicollet County
LaCrosse-Onalaska WI-MN MSA	La Crosse County, WI Houston County, MN
Grand Forks, ND-MN MSA	Grand Forks County, ND Polk County, MN
Fargo, ND-MN MSA	Cass County, ND Clay County, MN