STATE OF MINNESOTA
Legislative Budget Office

Deed Transfer Tax Exemptions Tax Expenditure Evaluation Summary

Objective

There are six tax expenditure provisions related to the deed transfer tax. Five exemptions (property partitioned between co-owners, distributions by personal representatives, cemetery lots, mortgage or lien foreclosure sales, and decrees of marriage dissolution) are intended to help define the tax base for the application of the deed transfer tax. The exemption for decrees of marriage dissolution is also intended to lessen the financial burden on individuals undergoing divorce proceedings. The exemption for exchanges of Permanent School Fund (PSF) land helps ensure the PSF secures maximum financial return consistent with fund goals stated in Minnesota Statutes, section 127A.31 and the fiduciary responsibilities imposed by Article 11, Section 8 of the Minnesota Constitution.

Background

The deed transfer tax is imposed on the value of real property that is transferred, granted, assigned, or otherwise conveyed by deed or instrument. The current deed transfer tax rate is 0.33% of net consideration (the price paid for the real property, including the fair market value of any land exchanged) when the consideration exceeds $3,000. Combined deed tax expenditures have an estimated foregone revenue of $1.7 million to the state General Fund in fiscal year 2026.

Summary Information

Years Enacted	1984-2000
Statute	Minnesota Statutes, section 287.22, subdivisions 9, 8, 7, 10, 11, 12, 14
Tax Type	Deed Transfer Tax
Provision Type	Exemptions
Latest Fiscal Impact Estimate	See Figure 1 Below
Latest Claims Estimate	No Available Claims Estimate Data
Expiration Date	None

Key Findings

- By their existence and utilization, exemptions for property partitioned between co-owners, distributions by personal representatives, cemetery lots, mortgage or lien foreclosure sales, and decrees of marriage dissolution meet their objective of defining the tax base for the application of the deed transfer tax.
- By its existence and utilization, the exemption for decrees of marriage dissolution meets its objective of lessening the financial burden on individuals undergoing divorce proceedings. Without this exemption, real property transferred pursuant to a divorce proceeding would be subject to the deed transfer tax.
- By its existence and utilization, the exemption for exchanges of PSF land meets its objective of helping the fund ensure maximum financial return. Without this exemption, exchanges of PSF land would be liable for the deed transfer tax, decreasing the amount of funds available for investment.

Figure 1. Deed Transfer Tax Exemptions and Fiscal Year 2026 Estimates

Tax Expenditure Budget (TEB)	FY2026 Estimate
10.1.01: Property Partitioned between Co-Owners	Less than $50,000
10.1.02: Distributions by Personal Representatives	Less than $50,000
10.1.03: Cemetery Lots	$100,000
10.1.04: Exchange of Permanent School Fund Lands	Less than $50,000
10.1.05: Mortgage and Lien Foreclosure Sales	$1,200,000
10.1.06: Decree of Marriage Dissolution	$400,000

Survey Data

A survey was administered by the Minnesota Association of County Officers (MACO) to Minnesota Counties on behalf of the LBO to better understand exemption utilization and county processes. Counties responded to the survey with a response rate of 36% (31 of 87 counties). Figure 1 provides a summary of available exemption data. Data limitations and time constraints limited the number of responses. No counties were able to respond to all survey questions so the number of responses by question are provided.

Figure 2. County Mortgage Registry Tax Data

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

Potential Modifications

- To better understand exemption utilization rates, one potential modification is considering the mandatory completion of the DT1 form for exemption tracking purposes, providing a uniform way for counties to track claims by exemption type and claim amount.

Contact Information and Disclaimer

- This tax expenditure evaluation was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission.
- For more information, please visit the Tax Expenditure Review Commission website. For the complete report visit the TERC report page.
- Contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov with questions.