COURT OF APPEALS OF MINNESOTA

Bernard Larson v. Rita M. Larson

365 N.W.2d 358 (Minn. Ct. App. 1985) · No. C6-84-1565 · Decided April 9, 1985

SUMMARY

The Minnesota Court of Appeals held that a homestead acquired by one spouse before marriage with that spouse's funds was nonmarital property under Minnesota Statutes section 518.54, subdivision 5. The court reversed the trial court's classification of the homestead as marital property and remanded for sale and distribution of the net proceeds using the formula established in Schmitz v. Schmitz.

CASE DETAILS

COURT	Court of Appeals of Minnesota
WRITING FOR THE COURT	Wozniak, Judge; Crippen, P.J.; Parker, Judge
JURISDICTION	Minnesota
DECIDED	April 9, 1985
DOCKET	C6-84-1565
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Bernard Larson appealed from a dissolution decree that classified the homestead as marital property and determined that Rita M. Larson was an equal joint owner.
PRECEDENTIAL VALUE	Published precedential opinion
PARTIES	Bernard Larson v. Rita M. Larson

TOPICS

dissolution of marriage · equitable distribution · community property · statutory interpretation

PRACTICE AREAS

family law · real estate · statutory interpretation

QUESTIONS PRESENTED

1. Whether a homestead acquired by one spouse before marriage, under a contract for deed in that spouse's name alone and with the acquisition payment furnished exclusively by that spouse, is marital property subject to division in the dissolution proceeding.

HOLDINGS

1. Because Bernard acquired the homestead before the marriage, the property was nonmarital property under Minn. Stat. § 518.54, subd. 5, notwithstanding the trial court's conclusion that it was not acquired in exchange for another asset.
2. Bernard was entitled to receive the portion of the homestead's net equity attributable to his $25,000 nonmarital investment.
3. The homestead was to be sold, with reasonable costs of sale and existing liens paid, and any remaining net proceeds divided under the formula stated in Schmitz v. Schmitz.

KEY QUOTATIONS

> *"The language of the statute, however, indicates that satisfaction of any of the subsections serves to classify the property as nonmarital."* (360)

> *"As long as all or any portion of a homestead is "readily traceable" to an investment of nonmarital funds, such homestead or portion thereof is properly classified as nonmarital property."* (360)

FACTUAL BACKGROUND

Bernard Larson and Rita McGlasson jointly signed a purchase agreement for a homestead before their marriage, but Bernard alone signed the later contract for deed and supplied the entire $25,000 earnest-money and downpayment. Rita made no financial contribution to acquisition of the property. The parties lived in the home during the marriage, during which $6,666 in interest payments on Bernard's nonmarital property were made from marital income.

PROCEDURAL HISTORY

The trial court determined that the homestead was a marital asset and divided it equally between the parties. The Minnesota Court of Appeals reversed and remanded with instructions to sell the homestead and divide the net proceeds under the formula stated in Schmitz v. Schmitz.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

Order the immediate sale of the homestead; pay reasonable costs of sale and all existing liens, unless assumed; and divide any net proceeds pursuant to the formula enunciated in Schmitz v. Schmitz.

CASES CITED

- Kottke v. Kottke, 353 N.W.2d 633, 635-636 (Minn. Ct. App. 1984)
- Schmitz v. Schmitz, 309 N.W.2d 748 (Minn. 1981)

OPINION

Larson v. Larson 365 N.W.2d 358

WOZNIAK, J.

365 N.W.2d 358 (1985) Bernard LARSON, Petitioner, Appellant, v. Rita M. LARSON, Respondent. No. C6-84-1565. Court of Appeals of Minnesota. April 9, 1985.

*359 Steven G. Potach, Allen H. Aaron, Charles Rubenstein, Minneapolis, for petitioner, appellant.

Karen M. Nelson, David E. Krause, Minneapolis, for respondent. Heard, considered, and decided by CRIPPEN, P.J., and PARKER and WOZNIAK, Judge.

OPINION

WOZNIAK, Judge. This appeal is from the trial court's dissolution decree determining that respondent was an equal joint owner of a homestead. We reverse and remand, with instructions.

FACTS

On June 29, 1981, four months prior to their marriage, Bernard Larson and Rita McGlasson jointly signed a Purchase Agreement to buy a homestead located at 326 Burnes Drive, Hopkins, Minnesota. Rita, at that time a licensed real estate agent, located the property and prepared, with the assistance of Bernard, the Purchase Agreement. On September 1, 1981, approximately eight weeks before the marriage of the parties, Bernard alone signed a contract for deed to purchase the property for $126,000. The property was paid for with a $25,000 downpayment, and was subject to a first mortgage of record in the sum of $74,970.90 and contract for deed in the sum of $26,029.10. It is undisputed that Rita made no financial contribution whatsoever towards acquisition of the property, and the downpayment was furnished entirely by Bernard. He obtained $13,000 of this combined earnest money and downpayment by mortgaging a piece of his nonmarital real property, and borrowed the remaining $12,000 from his son at 12% interest. Rita testified that she was informed by an attorney then present at the closing on Bernard's behalf that she would automatically become an owner of the property upon the marriage of the parties. Bernard took possession of the house immediately upon closing and made substantial improvements to the premises prior to the marriage of the parties approximately two months later. During the marriage, payments of $6,666 were made from marital income as interest on Bernard's mortgaged nonmarital property. During the marriage, Bernard, Rita, and Rita's children by a prior marriage resided together in the home. Rita and her children moved out in September 1983, and Bernard continued to occupy the property through the trial.

ISSUE

Did the trial court err in adjudging a house, purchased by Bernard prior to the marriage of the parties, under contract for deed in his name only and with an earnest money payment and downpayment furnished exclusively by him, to be a marital asset?

ANALYSIS

Bernard contends that the trial court erred in categorizing the homestead as a marital asset and dividing it between the parties. Minnesota Statutes § 518.54, subd. 5 (1984), defines nonmarital property as: Property real or personal, acquired by either spouse before, during or after the existence of their marriage, which (a) is acquired as a gift, bequest, devise or inheritance made by a third party to one but not to the other spouse; (b) is acquired before the marriage; (c) is acquired in exchange for or is the increase in value of property which is described in clauses (a), (b), (d), and (e); (d) is acquired by a spouse after a decree of legal separation; or (e) is excluded by a valid antenuptial contract. The trial court found that Bernard acquired title to the homestead of the *360 parties in his name alone, but held that it was not acquired by the exchange for another asset owned by Bernard. The language of the statute, however, indicates that satisfaction of any of the subsections serves to classify the property as nonmarital. Because the property in question was acquired by Bernard before the marriage, it must be classified as nonmarital property. The trial court's finding that the property was not an "exchange for another asset" is not supported by the evidence. As long as all or any portion of a homestead is "readily traceable" to an investment of nonmarital funds, such homestead or portion thereof is properly classified as nonmarital property. Kottke v. Kottke, 353 N.W.2d 633, 635-636 (Minn.Ct.App. 1984). In this case, the home was acquired exclusively by appellant's investment of $25,000 in cash. Appellant, therefore, is entitled to receive that portion of the net equity in the homestead which is attributable to his nonmarital investment in the property.

DECISION

Since both parties agree to the sale of the homestead, we reverse and remand with instructions to order the immediate sale of said homestead, provide for payment of all reasonable costs of sale, payment of all existing liens (if not assumed), and division of the net proceeds, if any, pursuant to the formula enunciated in Schmitz v. Schmitz, 309 N.W.2d 748 (Minn. 1981). Reversed and remanded, with instructions.