

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 461

DATE: March 31, 2003

Version: As introduced

Authors: Pugh and others

Subject: Estate Tax

Analyst: Joel Michael, 651-296-5057

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

This bill updates the Minnesota estate tax to the increases in the exemption amount under the federal estate tax, enacted by Congress in 2001. The exemption amounts comparing present law and the bill are shown in the table.

Decedents dying during CY	MN estate tax under present law	Federal tax and under bill
2003	\$700,000	\$1,000,000
2004	850,000	1,500,000
2005	950,000	1,500,000
2006	1,000,000	2,000,000
2007	1,000,000	2,000,000
2008	1,000,000	2,000,000
2009	1,000,000	3,500,000
2010	1,000,000	3,500,000*
2011	1,000,000	1,000,000

* No federal tax; bill provides for exemption based on federal exemption in the year before repeal.

Section

- 1 Return filing requirement.** Modifies the return filing requirement to limit the obligation to file a Minnesota estate tax return to only those circumstances where the estate must file a

Section

federal return. This is consistent with the adoption under section 2 of the federal exemption amounts. If the federal estate tax is repealed (as is currently scheduled to be the case in 2010), Minnesota filing obligation would be based on federal law in effect immediately before repeal (i.e., in 2009).

- 2** **Update to federal changes.** Adopts the federal changes in the estate tax base definition through the end of calendar year 2002. Present law is based on federal law as amended through the end of calendar year 2000. As a result, Minnesota law does not include the effect of the federal tax changes under the Economic Growth and Tax Relief and Reconciliation Act of 2001 or EGTRRA. The update excludes EGTRRA's phase-down and elimination of the credit for state death taxes and the repeal of the federal estate tax. Updating to the credit changes would repeal the Minnesota tax (effective for decedents dying in 2005), because the Minnesota tax equals the amount of the federal credit. Thus, the principal effect of the bill is to adopt the higher exemption levels that now apply under the federal tax as describe in the Overview. In addition, the update will adopt minor changes in federal law, such as the changes in the exclusion for qualified conservation easements. These changes are effective for decedents dying after June 30, 2003.
- 3** **Tax determination.** Makes explicit that the phase-down and repeal of the federal credit for state death taxes does not apply.