

HOUSE RESEARCH

Bill Summary

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Overview

This bill modifies the nexus rules under the estate tax for nonresident individuals who own pass-through entities with Minnesota real estate or tangible personal property. The bill expands the nexus rules under the estate tax by including in the Minnesota estate (and, thus, subjecting the property to the estate tax) Minnesota real and tangible personal property in a pass-through entity that is owned by a nonresident individual.

Section

1 **Estate tax.** Provides special situs rules under the estate tax for nonresidents who have ownership interests in pass-through entities that own real or tangible personal property in Minnesota. Pass-through entities are defined as:

- ▶ S corporations
- ▶ Partnerships
- ▶ Disregarded single-member LLCs
- ▶ Trusts

Under present law, ownership interests in these entities are treated as intangibles and would be assigned to the decedent's state of residence and, thus, would not be included in the Minnesota estate. This change assigns the situs of the real and tangible personal property as if the pass-through entity did not exist. Thus, it will include the Minnesota real and tangible personal property owned by the pass-through entity in the Minnesota estate of the decedent.

Section

If there are multiple owners of the entity, the property is assigned to the decedent based on his or her share of the capital interest in the entity.

Effective date: Estates of decedents dying after December 31, 2012.

2 **Credit for tax paid to another state.** Provides a cross-reference to the credit allowed in section 3.

3 **Nonresident decedent tax credit.** Allows a tax credit against the Minnesota estate tax for estate or inheritance tax paid to another state on property held in pass-through entities, as provided under section 1. The credit cannot exceed the Minnesota estate tax attributable to that property.

Effective date: Estates of decedents dying after December 31, 2012.