

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 747

DATE: February 17, 2015

Version: As amended by H0747A1

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Subject: Estate tax – increasing and indexing for inflation the maximum subtraction for qualified farmland and small business property

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This bill, as amended by the H0747A1 amendment, ties the maximum allowable estate tax subtraction for qualified farmland and qualified small business property to the federal exclusion amount for the year in which the decedent died. This provides a one-time \$430,000 increase in the maximum exclusion and adopts future increases resulting from the indexing of the federal exclusion amount for inflation.

Under present law, the maximum amount of these subtractions equals \$5 million less the general Minnesota exemption or zero bracket amount (\$1.4 million for 2015 decedents; set to rise in \$200,000 increments to \$2 million for 2018 decedents). The bill would set the maximum amount of the combined subtractions as the federal exclusion amount for the year the decedent dies, less the Minnesota exemption or zero bracket amount. For calendar year 2015 deaths, the federal exclusion amount is \$5.43 million. Thus, for 2015 deaths, this increases the maximum combined subtraction by \$430,000. The federal amount is annually indexed for inflation.

Effective date: day following final enactment.