

HOUSE RESEARCH

Bill Summary

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Subject: Increase estate tax exemption amount

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Overview

This bill increases the exemption amount under the estate tax to \$5 million, effective for decedents dying after December 31, 2014. In addition, the bill repeals the subtractions for qualified farm property and qualified small business property and converts the graduated rate schedule to a flat 16 percent rate, the current top rate.

Under present law, the general exemption amount is \$1.4 million for decedents dying in 2015 and is scheduled to increase in \$200,000 annual steps until a \$2 million exemption applies for estates of decedents dying in 2018. Present law limits the combination of the general exemption and the subtractions for qualified farm and small business property to \$5 million, the exemption amount proposed under the bill.

Section

- 1** **Qualified farm and small business property subtractions.** Repeals the subtractions for qualified farm and small business property. Present law limits the combination of the general exemption and the subtractions for qualified farm and small business property to \$5 million, the exemption provided under section 2. Section 3 repeals provisions related to the subtraction.
- 2** **Exemption amount and tax rates.** Increases the exemption amount under the tax to \$5 million and modifies the current graduated rate schedule with rates ranging from 10 to 16 percent to a flat 16 percent rate. The reduced tax from the larger exemption or zero bracket amount will be more than offset the elimination of the lower tax rate brackets.

Section

3 **Repealer.** Repeals statutes related to the subtractions for qualified farm and small business property.

Section	Subject
289A.10, subd. 10a	Filing requirement for the recapture tax for qualified farm and small business property that violates its agreement to use the property for a qualified purpose for 3 years after the decedent's death
289A.12, subd. 18	Filing requirement for heirs related to the qualified farm and small business property subtractions
289A.18, subd. 3a	Due date for filing recapture tax returns
289A.20, subd. 3a	Due date for paying recapture tax
291.016, subd. 3	Definitions of the qualified farm and small business property
291.03, subd. 8, 9, 10, and 11	Definitions related to the qualified farm and small business property subtraction