

HOUSE RESEARCH

Bill Summary

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Subject: Estate tax – gifts included in estate

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Overview

This bill reduces the three-year look-back rule that subjects taxable gifts to estate taxation to gifts made one year or less before death. The change is effective for estates of decedents dying after December 31, 2014.

Background. Under present law, taxable gifts (i.e., those exceeding the annual per recipient exclusion amount, currently \$14,000) must be added to the estate for Minnesota estate tax purposes if they are made three years or less before the decedent's death. Under federal law, taxable gifts are not included in the estate, but reduce the exclusion (unified credit) amount that is available to the estate. If a taxable gift is made within three years of death, any federal gift tax paid on the gift is includible in the estate for federal (and Minnesota) purposes.

Section

- 1 Filing requirement.** Reduces the three-year look-back rule to one year in the estate tax filing requirement.
- 2 Situs rules.** Changes the references to the look-back rule in the property situs rules from a three-year period to a one-year period.
- 3 Addition for gifts.** Reduces the look-back period for adding taxable gifts to the estate for estate tax purposes from three years to one year.