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### Overview

This bill adopts the exclusion amount under the federal estate and gift taxes for Minnesota estate tax purposes, effective beginning for decedents dying in 2017. This increases the value of the estate's property that is exempt from the tax from \$1.8 million (decedents dying in 2017) or \$2 million (decedents dying in 2018 and later) to \$5.49 million for 2017 deaths. The federal amount is indexed for inflation.

Taxable lifetime gifts (i.e., amounts above the per-recipient annual exclusion amount, \$14,000 for 2017 gifts, indexed for inflation) reduce the federal exclusion. Since Minnesota does not impose a gift tax, for individuals making taxable lifetime gifts, the Minnesota estate tax will exempt a larger amount than the federal estate tax. This occurs because the lifetime gifts reduce the exclusion amount for federal estate tax purposes, but the full federal amount (unreduced by taxable gifts) will be available under the Minnesota tax.

The bill also repeals the subtractions for qualified farm and small business property and related provisions (e.g., the recapture tax). Present law reduces these subtractions by the difference between \$5 million and the general exemption. Since the general exemption under the bill is larger than \$5 million, the effective value of these subtractions would be zero.

## Section

- 1 Filing requirement.** Modifies the estate tax filing requirement to apply only to estates with an obligation to file a federal estate tax return.  
**Effective date:** Decedents dying after 12/31/2016
- 2 Estate tax subtractions.** Repeals the estate tax subtractions for qualified small business and qualified farm properties and allows a subtraction for the federal estate and gift tax exclusion amount in computing the Minnesota taxable estate. The federal amount is \$5.49 million for decedents dying in 2017 and is indexed for inflation (based on the consumer price index).  
**Effective date:** Decedents dying after 12/31/2016
- 3 Estate tax rates.** Repeals the estate tax rates that apply to decedents dying before 2018 and adjusts the permanent tax rate schedule to drop the brackets that applied to the dollar value of estates below the federal exclusion amount.  
**Effective date:** Decedents dying after 12/31/2016
- 4 Repealer.** Repeals various provisions that are obsolete as a result of allowing subtraction of the federal exclusion amount.

<b>Section</b>	<b>Description</b>
289A.10, subd. 1a	Filing requirement for recapture tax – e.g., if qualified heirs fail to use farm or small business exemption property as required by their agreement
289A.12, subd. 18	Filing requirement for information returns to verify compliance with the qualified farm and small business exemptions
289A.18, subd. 3a	Due dates for filing recapture tax returns
289A.20, subd. 3a	Payment dates for recapture returns
291.03, subd. 8	Definitions related to qualified farm and small business property
291.03, subd. 9	Qualified small property exemption
291.03, subd. 10	Qualified farm property exemption
291.03, subd. 11	Imposition of recapture tax