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Overview

This bill increases the value of property that is exempt from the Minnesota estate tax to \$5 million, effective beginning with decedents dying in 2017. Under present law, the exempt amount is \$1.8 million for decedents dying in 2017 and \$2 million for those dying in 2018 and later years. In addition, the estate tax rate is converted from a graduated rate (between 10 percent and 16 percent) to a flat 16 percent rate.

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

Section

- 1** **Computation of Minnesota taxable estate.** Eliminates the subtractions for qualified small business and qualified farm properties in computing the amount of the Minnesota taxable estate. Since the maximum amount of these subtractions is the difference between \$5 million and the amount general estate tax exemption and since section 2 increases the general exemption to \$5 million, the value of the subtractions would effectively be zero.
Effective date: Decedents dying after 12/31/2016
- 2** **Estate tax exemption amount and tax rate.** Modifies the estate tax rate schedule to provide that the first \$5 million of taxable value is exempt and a flat rate of 16 percent applies.

Section

Present law provides for a \$1.8 million (2017 deaths) or \$2 million (2018 deaths and later) exemption with a graduated schedule of rates between 10 percent and 16 percent.

3 **Repealer.** Repeals various provisions that are obsolete as a result of eliminating the subtraction for qualified small business and farm properties under section 2.

Section	Description
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