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Overview

This bill allows agricultural land and other property (e.g., the house, garage, and agricultural buildings) to qualify as a homestead when all or portions of the property are owned by a trust for which a deceased or surviving spouse was the grantor. Present law disqualifies property from homestead treatment unless all of the property is owned by the same owner. These rules can disqualify portions of an agricultural homestead if some property is owned by an individual (or trust of which the individual is the grantor) and other property by a trust of which a deceased spouse was the grantor and the individual has a limited interest (e.g., a qualified terminable interest property or QTIP trust).

These changes also have implications for the estate tax; to qualify under the estate tax subtraction for qualified farm property, the property must be classified under the property tax for the three years prior to the decedent's death as agricultural, special agricultural, or agricultural relative homestead property. Expanding the agricultural homestead rules may allow additional properties to qualify for the qualified farm property subtraction.

Section

- 1 Special agricultural homestead rules.** Eliminates language allowing certain special agricultural homesteads owned by grantor trusts to qualify for homestead property tax status.

Section

This language is moved to section 2, which contains most of the rules relating to trust ownership of homestead and agricultural homestead property.

Effective date: taxes payable in 2018

2 **Agricultural homesteads; trust rules.** Modifies the statute that allow certain properties owned by trusts to qualify for homestead property tax treatment:

- Adds the language eliminated by section 1.
- Defines agricultural land for agricultural homestead rules and classification statutes so that the rules requiring agricultural property to have the same ownership (e.g., when a farm is divided into multiple parcels with different owners or when there are multiple owners of a parcel) are satisfied if the properties are owned by some combination of the individual owner, the individual's spouse or surviving spouse, or a trust or trusts, the grantor of which is the individual, spouse, surviving spouse or deceased spouse.
- Extends that trust ownership rule to noncontiguous parcels located within four townships or cities.

Effective date: taxes payable in 2018