

Minnesota imposes a tax on the estates of individuals who are residents of the state when they die or who own tangible property (typically real estate) in Minnesota when they die. The tax is imposed under a graduated rate schedule on the taxable estate.

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## **The estate tax equals a percentage of the taxable estate**

The taxable estate is generally the fair market value of the estate on the day the decedent died, less deductions (e.g., transfers to a surviving spouse and charitable bequests) and an exemption amount. The exemption amount is \$3 million, which the legislature has increased from time to time.

There are five rates and brackets under the estate tax. The bottom rate is 13 percent and applies to the amount of the taxable estate up to \$7.1 million. The top rate of 16 percent applies to the amount of the taxable estate over \$10.1 million.

## **Some gifts are included in the taxable estate**

The 2013 Legislature enacted a gift tax, now repealed, to complement the estate tax. This legislation also subjected gifts made within three years of death to the estate tax; this rule only applies to gifts that are subject to the federal gift tax (i.e., that are above the annual and inflation-adjusted per-recipient exemption, currently \$19,000 for 2025). The 2014 Legislature repealed the gift tax, but the three-year rule remains in effect, subjecting these gifts to the estate tax.

## **Qualifying small business and farm property exclusions are allowed**

State law allows two exclusions: qualifying small business property and homestead farmland. The combined value of these exclusions and the general \$3 million exemption amount described above cannot exceed \$5 million.

The decedent or spouse must have owned the qualifying property for three years before the date of death, and the heirs must own and use the property in the business (or the land must continue to be classified as agricultural property for property tax purposes) for three years after the date of death. Failure to do so triggers a recapture tax equal to 16 percent of the value of the property.

## **Revenues go the general fund**

Revenues from the tax are deposited in the general fund. (*See the table on the next page for the last seven years of collections.*) Because of the exemption amount, and the deductibility of bequests to spouses, very few estates pay the estate tax in Minnesota. For instance, of the nearly 50,000 deaths reported in Minnesota in 2023, only 318 estates of decedents dying in that year paid estate tax.

Revenues from the tax can also be volatile. If one very wealthy individual dies, collections can soar. In other years, revenues may fall below estimates. For example, in August 2005, the Department of Revenue received tax revenues of \$112 million from one estate; total collections were \$73 million in the prior year.

**Estate Tax Revenues: FY 2019-2025**

Fiscal Year	Revenues (thousands)
2019	\$225,007
2020	\$146,817
2021	\$208,263
2022	\$215,989
2023	\$260,098
2024	\$285,885
2025	\$360,781

Source: Minnesota Management and Budget

**Most states do not have estate or inheritance taxes**

Prior to 2001, Congress allowed a dollar-for-dollar credit under the federal estate tax for state estate taxes. This meant that the federal treasury bore the burden of the tax. Since the federal repeal of this credit in 2001, many states repealed their own estate or inheritance taxes.

Currently, 16 states plus the District of Columbia have an estate or inheritance tax. (Iowa's inheritance tax fully phased out for 2025.) Maryland imposes both, but inheritance tax offsets estate tax.

State	Estate tax	Inheritance tax
Connecticut	X	—
District of Columbia	X	—
Hawaii	X	—
Illinois	X	—
Kentucky	—	X
Maine	X	—
Maryland	X	X
Massachusetts	X	—
Minnesota	X	—
Nebraska	—	X
New Jersey	—	X
New York	X	—
Oregon	X	—
Pennsylvania	—	X
Rhode Island	X	—
Vermont	X	—
Washington	X	—



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