

This notice was revoked and replaced on November 22, 2010 by Revenue Notice # 10-03. Please see Revenue Notice # 10-03.

MINNESOTA DEPARTMENT OF REVENUE

Revenue Notice # 06-04: Minnesota Estate Tax – Estates Required to File a Minnesota Return but not a Federal Return – Revocation of Revenue Notice # 02-16

This notice revokes Revenue Notice # 02-16 and replaces it with the following notice.

In computing the Minnesota estate tax where an estate is required to file a Minnesota estate tax return and a federal estate tax return is not required, the Department of Revenue's position is as follows:

1. If the estate needs more time to meet the due date (9 months from date of death) for filing and paying the Minnesota estate tax, the Commissioner of Revenue will abate the penalties for late filing and late payment if the estate pays a "reasonable estimate" of the Minnesota estate tax by the due date (estate's payment should be accompanied by Minnesota Form PV86). The estate must file the return and pay the remaining tax within 15 months of the decedent's date of death. For the purposes of this notice, a payment of 90 percent of the amount of Minnesota estate tax shown on the return will be presumed to be a "reasonable estimate."
2. The estate must use the date of death values of assets since alternative value (value of asset six months from date of death) is not available. The alternative value cannot be elected federally (Internal Revenue Code, section 2032 (c)) since there will not be a federal tax using date of death value and Minnesota allows only alternative valuation if it is elected federally.
3. In the case of elections under Internal Revenue Code, sections 2032A (special use value of real property), 2056(b)(7) (election to treat qualified terminable interest property as qualifying for the marital deduction), and 2056A (election to treat a trust as a qualified domestic trust qualifying for the marital deduction) the special valuation or marital deductions are only available for Minnesota purposes if the estate files a federal estate tax return and makes the election at the federal level.
4. Deductions for administrative expenses of the estate that can be claimed on either the federal estate tax return or the estate's federal fiduciary income tax return can only be claimed on the Minnesota estate tax return if the expenses are not claimed as a deduction on the estate's federal fiduciary income tax return or returns (Minnesota Statutes, section 291.03).

Revenue Notice # 02-16 is revoked and replaced with this notice.

JOHN H. MANSUN, Assistant Commissioner
for Tax Policy and External Relations

Publication Date: May 8, 2006