

MINNESOTA • REVENUE

ESTATE TAX

Exemption for Charitable Deduction

March 23, 2004

Department of Revenue

Analysis of S.F. 2320 (Belanger)/H.F. 3050 (Abrams)

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Revenue Gain or (Loss)

	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	(\$2,400)	(\$3,300)	(\$3,400)

Effective for estates of decedents dying after December 31, 2003, and before January 1, 2011.

EXPLANATION OF THE BILL

Current Law: There is no estate tax exemption for estates where a charitable deduction is made from the proceeds of the gross estate.

Proposed Law: Estates would be exempted from the Minnesota estate tax if three conditions were met. First, the deduction for charitable contributions on the estate tax return was at least 20% of the Minnesota gross estate. Second, the decedent's Minnesota income tax for the tax year prior to the year of death was at least equal to 5% of the decedent's federal taxable income for that same year. Third, the estate tax return was filed properly and timely.

REVENUE ANALYSIS DETAIL

- Information from the estate tax return database for fiscal year 1999 indicated that 3.1% of returns filed that owed Minnesota estate tax had a charitable deduction of at least 20% of the gross estate. The estate tax on these returns amounted to 4.5% of the estate tax collected. The 4.5% figure was assumed to continue throughout the forecast period.
- It was assumed that 95% of the decedents would have their prior year Minnesota income tax equal to at least 5% of the federal taxable income.
- It was assumed that returns would be filed nine months after the date of death.
- The February 2004 forecast of estate tax collections was used as a baseline.

Number of Taxpayers: An estimated 30 to 50 returns annually could be affected.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy