

MINNESOTA • REVENUE

Estate Tax Repeal of the Estate Tax

April 14, 2003

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

Department of Revenue
Analysis of S.F. 740 (Bachmann)/ H.F. 1243 (Jacobson)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	(\$50,500)	(\$71,000)	(\$72,000)	(\$72,000)

Effective for estates of decedents dying after December 31, 2002.

EXPLANATION OF THE BILL

Current Law: Current Minnesota law requires the filing of an estate tax return upon death if the gross estate is at least \$700,000 for deaths that occur in 2003, \$850,000 for 2004, \$950,000 for 2005, and \$1,000,000 thereafter. The Minnesota estate tax is equal to the federal credit for state death taxes under pre-2001 federal law.

Proposed Law: The proposed law would repeal the estate tax for the estates of decedents dying after December 31, 2002.

REVENUE ANALYSIS DETAIL

- Detailed information from all estate tax returns filed in calendar year 1999 was put into a database. Information on year of death, gross estate, taxable estate, estate tax (federal and state), and many other items were included in the database.
- The information collected for calendar year 1999 filings was considered to be representative of potential filings for subsequent calendar years.
- The February 2003 forecast for estate tax collections under current law was assumed.
- Since current law already has built into it some increases in the exemption level, the information for the returns in the database was analyzed to see how the tax owed in subsequent years on those same returns would be reduced under current law. Then the amount of the gross estate and taxable estate was adjusted in order to have the calculated estate tax under current law be equal to the February 2003 forecast.

REVENUE ANALYSIS DETAIL (Cont.)

- The adjusted database was used to calculate the effect of the proposed law to repeal the estate tax.
- The distribution of filing dates in the database was used to allocate the impact by fiscal year.

Number of Taxpayers Affected: For fiscal years 1998 through 2001, the average number of estates that paid estate tax in Minnesota each year was between 800 and 850.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>