

MINNESOTA · REVENUE

ESTATE TAX \$2 Million Exclusion

January 22, 2013

Preliminary Estimates

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 12 (Koenen), As Proposed to be Amended (SCS0012A-5)

Fund Impact

	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
			(000's)	
General Fund	(\$33,900)	(\$44,000)	(\$42,600)	(\$40,800)

Effective for estates of decedents dying after December 31, 2012.

EXPLANATION OF THE BILL

Current Law: The amount of excludable taxable estate is \$1 million. In addition, for estates where the small business or farm deduction applies, a deduction of up to \$4 million could be available. Also, the filing requirement is that a Minnesota estate tax return has to be filed if a federal estate tax return has to be filed or if the federal gross estate exceeds \$1 million.

Proposed Law: As proposed to be amended, the exclusion amount would increase to \$2 million from \$1 million. The small business and farm deduction would be reduced from \$4 million to \$3 million. The filing requirement would be changed so that a Minnesota estate tax return would have to be filed if a federal estate tax return were required to be filed or if the federal gross estate exceeds \$2 million.

REVENUE ANALYSIS DETAIL

- The estimate is based on the November 2012 forecast.
- From estate tax databases created by the Department of Revenue for estate tax returns filed in 2007 and 2008, it is estimated that about 34% of estate tax revenue was generated from estates where the taxable estate was less than \$2 million.
- Therefore, it is assumed that there will be a 34% reduction in future estate tax revenue.
- Since the forecast already was reduced for the small business and farm deduction, the impact of the proposal was adjusted accordingly.
- It is assumed the tax is paid nine months after the death of the decedent.

Number of Taxpayers: An estimated 600 to 800 returns could be impacted.

Source: Minnesota Department of Revenue
Tax Research Division

http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx