

# 2017 ESTATE TAX LEGISLATIVE BULLETIN



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Bulletin Date: June 27, 2017

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Unless otherwise noted, the provisions discussed in this bulletin can be found in 2017 Minn. Laws, 1st Spec. Sess. ch. 1.

**Estate tax filing threshold and exemption increase.** Minn. Stat. §§ 289A.10, subd. 1, and 291.016, subd. 3, were amended to increase the estate tax exemption amount to \$3M by 2020 as follows:

- 1) For estates of decedents dying in 2017 the exemption amount is \$2,100,000.
- 2) For estates of decedents dying in 2018 the exemption amount is \$2,400,000.
- 3) For estates of decedents dying in 2019 the exemption amount is \$2,700,000.
- 4) For estates of decedents dying in 2020 and thereafter the exemption amount is \$3,000,000.

Effective retroactively for estates of decedents dying after December 31, 2016.

*Note: As of the date of this bulletin, the increased estate tax exemption contained in 2017 Minn. Laws, 1<sup>st</sup> Spec. Sess. ch. 1, is the subject of on-going negotiations.*

**Residency Modification.** Minn. Stat. § 291.005, subd. 1, was amended to modify the definition of domicile for estate tax purposes. The change provides that courts and the commissioner shall not consider the location of a decedent's attorney, certified public accountant, financial adviser, or financial institution in determining an individual's domicile, and that the location of charitable contributions given by the decedent cannot be considered in determining domicile. Effective retroactively for estate of decedents dying after December 31, 2016.

**Clarification on the inclusion of certain federal taxable gifts.** Minn. Stat. § 291.016, subd. 2, was amended to clarify that an addition is required for federally taxable gifts made within three years of death in the calculation of Minnesota taxable estate. This section is effective retroactively for estates of decedents dying after June 30, 2013.

**Estate tax rate changes.** Minn. Stat. § 291.03, subd. 1, was amended to eliminate obsolete rates for estates that are now below the filing threshold. The lowest marginal rate for 2017 is 12% and the highest marginal rate is 16%. For 2018, and thereafter, the lowest marginal rate is 13% and the highest marginal rate is 16%. Effective retroactively for estates of decedents dying after December 31, 2016.

**Qualified small business property clarification.** Minn. Stat. § 291.03, subd. 9, was amended to eliminate an ambiguity. The change makes clear that the value of cash, cash equivalents, and publicly traded securities cannot be deducted from Minnesota estate using the qualified small business property subtraction regardless of use in a trade or business. Effective retroactively for estates of decedents dying after June 30, 2011.

**Recapture tax.** Minn. Stat. § 291.03, subd. 11, was amended to provide three exceptions to the requirement for a recapture tax following the alienation or reclassification of qualified farm property during the required three year holding period:

- 1) The recapture tax is not triggered if property is acquired by a governmental unit using eminent domain for a public purpose.
- 2) The recapture tax is not triggered if a portion of qualified farm property consisting of less than 1/5 of the claimed acreage is reclassified for property tax purposes from 2a to 2b under Minn. Stat. § 273.13, subd. 23, so long as the qualified heir has not substantially altered the property.
- 3) The recapture tax is not triggered if a portion of qualified farm property, consisting of a residence, garage, and up to one acre of surrounding property are reclassified for property tax purposes from 2a to 4bb under Minn. Stat. § 273.13, subd. 23, so long as the qualified heir has not substantially altered the property.

Effective retroactively for estates of decedents dying after June 30, 2011.

**Correction of obsolete reference.** Minn. Stat. § 291.075 was amended to correct an obsolete reference to a prior estate tax calculation method that was changed in 2013. Effective May 31, 2017.