



2024 Form M706Q, Election to Claim the Qualified Small Business and Farm Property Deduction

To be completed by the executor of the estate with a date of death in 2024, and qualified heirs.

DECEDENTS FIRST NAME MIDDLE I LAST NAMEXXXXXXXXXX 123456789
 Decedent's first name, middle initial Last name Decedent's Social Security number

LAST HOME ADDRESS STREET APARTMENT ROUTEXXXXXXXXXX 11223333
 Last home address (street, apartment, route) Date of death

CITYXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX MN 11223 123456789
 City State Zip code Minnesota probate county and file number

EXECUTOR FIRST NAME MIDDLE I LAST NAMEXXXXXXXXXX 123456789
 Executor's first name, middle initial Last name Executor's Social Security number

NAME OF FIRMXXXXXXXXXX 1112223333 1234567894
 Name of firm (if applicable) Executor's phone

ADDRESS STREET APARTMXXXXXXXXX CITYXXXXXXXXXXXXXXXXX MN 11223
 Address (street, apartment, route) City State Zip code

Part 1 — Qualified Small Business Property Requirements

Complete Part 1 to determine if the estate meets the qualified small business property requirements. If the answer is "No" for any of the questions, the estate is not eligible to claim the small business property deduction.

- 1 Is the value of the property included in the decedent's federal adjusted taxable estate, which is after federal allowable deductions, including debts, expenses and bequests to a surviving spouse? 1 Yes No
- 2 Does the property consist of assets of a trade or business (or shares of stock or other ownership interests in a corporation or other entity that is engaged in a trade or business and is not publicly traded)? 2 Yes No
- 3 Did the decedent or the decedent's spouse materially participate in the trade or business during the taxable year that ended before the decedent's death? 3 Yes No
- 4 Did the trade or business have gross annual sales of \$10 million or less during the last taxable year that ended before the decedent's death? 4 Yes No
- 5 Did the decedent or the decedent's spouse continuously own the property for the three-year period ending at the decedent's death? 5 Yes No

If you answered yes to all of the Part 1 questions, the estate may be eligible to claim the small business property deduction.

Complete Part 3 to determine if the estate has qualified heirs.

Part 2 — Qualified Farm Property Requirements

Complete Part 2 to determine if the estate meets the qualified farm property requirements. If the answer is "No" for any of the questions, the estate is not eligible to claim the farm property deduction.

- 6 Is the value of the property included in the decedent's federal adjusted taxable estate, which is after federal allowable deductions, including debts, expenses and bequests to a surviving spouse? 6 Yes No
- 7 Does the property consist of agricultural land and is owned by a person or entity that is either not subject to or is in compliance with M.S. 500.24? 7 Yes No
- 8 Was the property classified for property tax purposes in the taxable year of death as agricultural homestead, agricultural relative homestead, or special agricultural homestead under M.S. 273.124? 8 Yes No
- 9 Was the property classified for property tax purposes in the taxable year of death as class 2a property under M.S. 273.13, subd. 23? 9 Yes No
- 10 Did the decedent or the decedent's spouse continuously own the property for the three-year period ending at the decedent's death? 10 Yes No

If you answered yes to all of the Part 2 questions, the estate may be eligible to claim the farm property deduction.

Complete Part 3 to determine if the estate has qualified heirs.

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DECEDENTS FIRST NAME 123456789 EXECUTOR FIRST NAME 123456789
Decedent's first name, middle initial, last name Decedent's Social Security number Executor's first name, middle initial, last name Executor's Social Security number

Part 3 — Qualified Heirs and Family Members Requirements

11 Are each of the persons who acquired the qualified property from the decedent family members (see instructions)? 11 [X] Yes [X] No

12 For the Small Business Property Deduction: Describe the trade or business the decedent and the qualified property was engaged in and provide the NAICS Code.

Table with 2 columns: Trade or business, NAICS Code. Rows contain 'TRADE OR BUSINESSXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX' and '12345'.

13 Do the persons from question 11, the qualified heirs, agree that a family member will maintain the 2a classification for the farm property deduction or materially participate in the operation of the trade or business described in question 12 for the small business property deduction for the three years following the decedent's death? 13 [X] Yes [X] No

14 Do the persons from question 11, the qualified heirs, agree not to dispose of any interest in the qualified property other than to a family member during the three years following the decedent's death? 14 [X] Yes [X] No
Important: If, within three years following the decedent's death, the qualified heir(s) do not adhere to the agreement signed on page 3 of the M706, a recapture tax will be imposed.

15 Enter the name of each qualified heir from question 11, their relationship to the decedent, the Federal schedule and item number where the properties are reported on Federal Form 706, and the fair market value of the properties received.

Table with 4 columns: Federal Schedule and Item Number Where Reported, Name, Relationship to Decedent, Fair Market Value Received. Rows contain placeholder text like 'FED SCHEDULEXXXXX NAMEXXXXXXXXXXXXX RELATIONSHIPXXXXX FAIR MARKET VALUERX'.

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DECEDENTS FIRST NAME 123456789 EXECUTOR FIRST NAME 123456789
Decedent's first name, middle initial, last name Decedent's Social Security number Executor's first name, middle initial, last name Executor's Social Security number

Part 4 — Agreement (Must be completed and signed by each and every qualified heir and the executor)

Heirs: All persons signing below agree and attest to the following:

I am a "family member" as provided by M.S. 291.03, subd. 8.

I am a "qualified heir" as provided by M.S. 291.03, subd. 8(c).

Each and every qualified heir who acquired the qualified property or an interest in the qualified property described on Line 1, Parts 5 and 6 is listed below.

If any qualified heir or family member disposes of any interest in the qualified property described on Line 1, Parts 5 and 6, other than by a disposition to a family member, during the three-year period following decedent's death, I am personally responsible for filing and paying the recapture tax equal to the value (as allowed for federal estate tax purposes) of qualified property ceasing to satisfy the three-year holding period requirements, multiplied by 16%. The filing and payment due date is no later than six months from the date of the disqualifying disposition.

I, a qualified heir/family member, have exercised all due diligence on whether the decedent had applied for any tax programs with the County Assessor.

If a family member does not maintain the 2a classification for the qualified property described on Line 1, Part 6 for the farm property deduction or a family member does not materially participate in the operation of the trade or business described on Line 12, Part 3 for the qualified property described on Line 1, Part 5 for the small business property deduction during the three-year period following decedent's death, I am personally responsible for filing and paying the recapture tax equal to the value (as allowed for federal estate tax purposes) of qualified property ceasing to satisfy the three-year holding period requirements, multiplied by 16%. The filing and payment due date is no later than six months from the date of the disqualifying cessation of the trade or business.

This schedule is correct and complete to the best of my knowledge and belief.

NAME ADDRESS CITY MN ZIP
Signature of qualified heir
11223333 111223333 111223333 111223333

Executor: I agree and attest to the following:

I am the executor of the decedent's estate.

Each and every qualified heir who acquired the qualified property or an interest in the qualified property described on Line 1, Parts 5 and 6 signed the agreement above.

I, the executor, have exercised all due diligence on whether the decedent had applied for any tax programs with the County Assessor.

If any qualified heir or family member disposes of any interest in the qualified property described on Line 1, Parts 5 and 6, other than by a disposition to a family member, during the three-year period following decedent's death, I hereby agree that the estate is liable for the payment of the recapture tax equal to the value (as allowed for federal estate tax purposes) of qualified property ceasing to satisfy the three-year holding period requirements, multiplied by 16%. The filing and payment due date is no later than six months from the date of the disqualifying disposition. Additionally, I understand that I am personally responsible for making arrangements for the filing of the recapture tax return and the payment of the recapture tax.

If a family member does not maintain the 2a classification for the qualified property described on Line 1, Part 6 for the farm property deduction or a family member does not materially participate in the operation of the trade or business described on Line 12, Part 3 for the qualified property described on Line 1, Part 5 for the small business property deduction during the three-year period following decedent's death, I hereby agree that the estate is liable for the payment of the recapture tax equal to the value (as allowed for federal estate tax purposes) of qualified property ceasing to satisfy the three-year holding period requirements, multiplied by 16%. The filing and payment due date is no later than six months from the date of the disqualifying cessation of the trade or business. Additionally, I understand that I am personally responsible for making arrangements for the filing of the recapture tax return and the payment of the recapture tax.

This schedule is correct and complete to the best of my knowledge and belief.

NAME ADDRESS CITY MN ZIP
Signature of executor
11223333

A continuation page is provided after the instructions, if needed.

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DECEDENTS FIRST NAME 123456789 EXECUTOR FIRST NAME 123456789
Decedent's first name, middle initial, last name Decedent's Social Security number Executor's first name, middle initial, last name Executor's Social Security number

Part 5 — Deduction Calculation for Qualified Small Business Property

1 Value of assets. For each asset elected to be deducted from the decedent's Minnesota adjusted taxable estate as qualified small business property, provide a description, indicate the Schedule and item number from the Federal Form 706 where the asset is reported, and report the asset's fair market value at the valuation date.

Table with 3 columns: Description of Asset (entity name and FEIN, if applicable), Federal Schedule and Item Number Where Reported, Fair Market Value At Valuation Date. Includes rows for asset descriptions and a subtotal.

2 Noneligible property. List property included on your Federal Form 706 and on line 1 above that is not eligible for the qualified small business deduction (see instructions).

Table with 3 columns: Noneligible Property, Value Included in Federal Gross Estate, Amount Not Allowed in Deduction. Includes rows for noneligible property and a subtotal.

3 Federal allowable deductions. Report allowable deductions that are related to the assets included on line 1 above and indicate the Schedule and item number from the Federal Form 706 where the allowable deduction is reported.

Table with 3 columns: Description of Deduction, Federal Schedule and Item Number Where Reported, Amount Claimed as a Deduction. Includes rows for deduction descriptions and a subtotal.

4 Add line 2 and line 3

5 Tentative Deduction. Subtract line 4 from line 1. If you are also claiming a deduction for qualified farm property, continue to Part 6. If not, continue to Part 7.

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<u>DECEDENTS FIRST NAME</u> Decedent's first name, middle initial, last name	<u>123456789</u> Decedent's Social Security number	<u>EXECUTOR FIRST NAME</u> Executor's first name, middle initial, last name	<u>123456789</u> Executor's Social Security number
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Part 6 — Deduction Calculation for Qualified Farm Property

1 Value of assets. For each asset elected to be deducted from the decedent's Minnesota adjusted taxable estate as qualified farm property, provide a description, indicate the Schedule and item number from the Federal Form 706 where the asset is reported, and report the asset's fair market value at the valuation date.

Description of Asset (parcel ID number and legal description)	Federal Schedule and Item Number Where Reported	Fair Market Value At Valuation Date
DESCRIPTION OF ASSETXXXXXXXXXXXXXXXXXXXX	FED SCHEDULEXXXX	123456789
DESCRIPTION OF ASSETXXXXXXXXXXXXXXXXXXXX	FED SCHEDULEXXXX	123456789
DESCRIPTION OF ASSETXXXXXXXXXXXXXXXXXXXX	FED SCHEDULEXXXX	123456789
Subtotal from additional sheets attached to this schedule, if any		123456789
Total value of assets	1	123456789

2 Noneligible property. List property included on your Federal Form 706 and on line 1 above that is not eligible for the qualified farm property deduction (*see instructions*).

Noneligible Property	Value Included in Federal Gross Estate	Amount Not Allowed in Deduction
NONELIGIBLE PROPERTYXXXXXXXXXXXXXXXXXXXX	1122333333333333	123456789
NONELIGIBLE PROPERTYXXXXXXXXXXXXXXXXXXXX	1122333333333333	123456789
NONELIGIBLE PROPERTYXXXXXXXXXXXXXXXXXXXX	1122333333333333	123456789
Subtotal from additional sheets attached to this schedule, if any		123456789
Total amount not allowed in deduction	2	123456789

3 Federal allowable deductions. Report allowable deductions that are related to the assets included on line 1 above and indicate the Schedule and item number from the Federal Form 706 where the allowable deduction is reported.

Description of Deduction	Federal Schedule and Item Number Where Reported	Amount Claimed as a Deduction
DESCRIPTION OF DEDUCTIONXXXXXXXXXXXXXXXXXXXX	FED SCHEDULEXXX	123456789
DESCRIPTION OF DEDUCTIONXXXXXXXXXXXXXXXXXXXX	FED SCHEDULEXXX	123456789
DESCRIPTION OF DEDUCTIONXXXXXXXXXXXXXXXXXXXX	FED SCHEDULEXXX	123456789
Subtotal from additional sheets attached to this schedule, if any		123456789
Total allowable deductions	3	123456789

4 Add line 2 and line 3

5 Tentative Deduction. Subtract line 4 from line 1. Continue to Part 7

	4	123456789
	5	123456789

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DECEDENTS FIRST NAME 123456789 EXECUTOR FIRST NAME 123456789
Decedent's first name, middle initial, last name Decedent's Social Security number Executor's first name, middle initial, last name Executor's Social Security number

Part 7 — Deduction Calculation for Qualified Small Business Property and Qualified Farm Property

Table with 8 rows for deduction calculation. Row 1: Enter the amount from Part 5, Line 5. Row 2: Enter the amount from Part 6, Line 5. Row 3: Add line 1 and line 2. Row 4: Enter the amount from line 5 of Form M706. Row 5: Enter the amount from line 6a of Form M706. Row 6: Subtract line 5 from line 4. Row 7: Enter the lesser of line 3 or line 6. Row 8: Deduction. Enter the lesser of line 7 or \$2,000,000. Also, enter the amount on line 6b of Form M706.

You must attach the following to the Form M706Q:

- Documentation demonstrating decedent's or decedent's spouse's continuous ownership of the qualified property for the three-year period prior to decedent's death (deeds, titles, Federal Schedules K-1, etc.). NOTE: Property Tax Statements are not sufficient legal documentation.
A copy of the decedent's will, trust, probate distribution ruling, transfer on death deed or other documentation that demonstrates to whom the qualified property is distributed to upon death.
If the deducted property is qualified small business property, a complete copy of the decedent's federal income tax return, schedules, and attachments for the three taxable years ending prior to the decedent's death (including the taxable year of death).
If the deducted property is qualified small business property, a complete copy of the business tax return, schedules, and attachments for the taxable year prior to the decedent's death.
If the deducted property is qualified small business property, an explanation as to how the decedent materially participated in the qualified small business in the taxable year prior to death.
If the deducted property is qualified farm property, a copy of the decedent's property tax statements for the taxable year of death.