

March 26, 2025

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1942 (Nelson) / H.F. 166 (Robbins)

	Fund Impact			
	F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
	(000's)			
General Fund	(\$29,200)	(\$167,500)	(\$218,500)	(\$227,700)

Effective retroactively for estates of decedents dying after December 31, 2024.

EXPLANATION OF THE BILL

Current Law: Estates are eligible for a combined subtraction of up to \$5.0 million, including an exclusion amount and the value of qualified small business and farm property. Since 2020, the estate tax exclusion has been \$3.0 million. The maximum small business and farm property subtraction is \$2.0 million. Taxable estates are subject to the following rates:

Taxable Estate	Rate
Not over \$7,100,000	13%
Over \$7,100,000 but not over \$8,100,000	13.6%
Over \$8,100,000 but not over \$9,100,000	14.4%
Over \$9,100,000 but not over \$10,100,000	15.2%
Over \$10,100,000	16%

Proposed Law: The bill would raise the exclusion to conform to federal exclusion amounts for decedents who die in calendar year 2025 and thereafter. The small business and farm subtraction will be eliminated. The federal exclusion amounts are as follows:

Calendar Year	Estimated Exclusion
2025	\$14,000,000
2026	\$14,400,000
2027	\$14,810,000
2028	\$15,230,000
2029	\$15,660,000

REVENUE ANALYSIS DETAIL

- The estimate is based on the Minnesota estate tax database, which includes about 11,100 estate returns with years of death between 2014 and 2023, the individual income tax returns filed by the deceased over 2014-2024, and Federal Estate and Gift Tax Rates and Exclusion table.

REVENUE ANALYSIS DETAIL (Cont.)

- The returns in the database were filed under statutory provisions that were different than current law. Therefore, the estate tax amounts for returns in the database were recalculated to be consistent with current law.
- The proposed federal exclusion and small business and farm subtraction elimination were used to recalculate the estate taxes for the returns in the database.
- Comparing those calculations, the total estate tax for returns in the database decreased by 68.5% for CY 2026, 69.3% for CY 2027, 70.0% for CY 2028 and 70.7% for CY 2029. That decrease ratio was applied to the estate tax estimates in the February 2025 estate tax forecast.
- It is assumed that the estate tax is paid nine months after the death of the deceased.

Minnesota Department of Revenue
Tax Research Division
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