

2025 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 2025, and qualified heirs.

DECEDENTS FIRST NAME MIDDLE I	LAST NAME	123456789
Decedent's first name, middle initial	Last name	Decedent's Social Security number
LAST HOME ADDRESS STREET APARTMENT ROUTE		11223333
Last home address (street, apartment, route)		Date of death
CITY	MN	11223
City	State	Zip code
		123456789
		Minnesota probate county and file number

EXECUTOR FIRST NAME MIDDLE I	LAST NAME	123456789
Executor's first name, middle initial	Last name	Executor's Social Security number
NAME OF FIRM		1234567894
Name of firm (if applicable)		Executor's phone
ADDRESS STREET APARTM	CITY	MN
Address (street, apartment, route)	City	State
		11223
		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.

- 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? ☒ Yes ☒ No
- 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)? ☒ Yes ☒ No
- 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? ☒ Yes ☒ No
- 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? ☒ Yes ☒ No
- Did the decedent or the decedent's spouse continuously own the property for the three-year period ending at the decedent's death? ☒ 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.

- 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? ☒ Yes ☒ No
- 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? ☒ Yes ☒ No
- 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? ☒ Yes ☒ No
- 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? ☒ Yes ☒ No
- Did the decedent or the decedent's spouse continuously own the property for the three-year period ending at the decedent's death? ☒ 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.

2025 M706Q P3

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.

NAMEXXXXXXXXXXXXXXXXXXXX	ADDRESSXXXXXXXXXXXXXXXX	CITYXXXXXXXXXX	MN	55555
Name	Address	City	State	Zip code
	11223333	111223333	1112223333	
Signature of qualified heir	Date	Social Security number	Phone number	
NAMEXXXXXXXXXXXXXXXXXXXX	ADDRESSXXXXXXXXXXXXXXXX	CITYXXXXXXXXXX	MN	55555
Name	Address	City	State	Zip code
	11223333	111223333	1112223333	
Signature of qualified heir	Date	Social Security number	Phone number	
NAMEXXXXXXXXXXXXXXXXXXXX	ADDRESSXXXXXXXXXXXXXXXX	CITYXXXXXXXXXX	MN	55555
Name	Address	City	State	Zip code
	11223333	111223333	1112223333	
Signature of qualified heir	Date	Social Security number	Phone number	
NAMEXXXXXXXXXXXXXXXXXXXX	ADDRESSXXXXXXXXXXXXXXXX	CITYXXXXXXXXXX	MN	55555
Name	Address	City	State	Zip code
	11223333	111223333	1112223333	
Signature of qualified heir	Date	Social Security number	Phone number	

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.

NAMEXXXXXXXXXXXXXXXXXXXX	ADDRESSXXXXXXXXXXXXXXXX	CITYXXXXXXXXXX	MN	55555
Name	Address	City	State	Zip code
		11223333		
Signature of executor		Date		

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

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2025 M706Q P4

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.

Description of Asset (entity name and FEIN, if applicable)

Federal Schedule and Item Number Where Reported

Fair Market Value At Valuation Date

DESCRIPTION OF ASSETXXXXXXXXXXXXXXXXXXXX

FED SCHEDULEXXXX

123456789

DESCRIPTION OF ASSETXXXXXXXXXXXXXXXXXXXX

FED SCHEDULEXXXX

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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 small business deduction (see instructions).

Noneligible Property

Value Included in Federal Gross Estate

Amount Not Allowed in Deduction

NONELEGIBLE PROPERTYXXXXXXXXXXXXXXXXXXXX

1122333333333333

123456789

NONELEGIBLE PROPERTYXXXXXXXXXXXXXXXXXXXX

1122333333333333

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NONELEGIBLE PROPERTYXXXXXXXXXXXXXXXXXXXX

1122333333333333

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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 SCHEDULEXXXX

123456789

DESCRIPTION OF DEDUCTIONXXXXXXXXXXXXXXXXXXXX

FED SCHEDULEXXXX

123456789

DESCRIPTION OF DEDUCTIONXXXXXXXXXXXXXXXXXXXX

FED SCHEDULEXXXX

123456789

Subtotal from additional sheets attached to this schedule, if any

123456789

Total allowable deductions

3

123456789

4

Add line 2 and line 3

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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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2025 M706Q P5

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 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

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DESCRIPTION OF DEDUCTIONXXXXXXXXXXXXXXXXXXXX

FED SCHEDULEXXX

123456789

Subtotal from additional sheets attached to this schedule, if any

123456789

Total allowable deductions

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123456789

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Add line 2 and line 3

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

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	23	6 Subtract line 5 from line 4																																																												6	123456789										23									
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	27	8 Deduction. Enter the lesser of line 7 or \$2,000,000. Also, enter the amount on line 6b of Form M706																																																												8	123456789										27									
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	29	You must attach the following to the Form M706Q:																																																																																29
	30	• 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.																																																																																30
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	32	• 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.																																																																																32
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	34	• 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).																																																																																34
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	36	• 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.																																																																																36
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	38	• 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.																																																																																38
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	40	• If the deducted property is qualified farm property, a copy of the decedent's property tax statements for the taxable year of death.																																																																																40
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