

SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 642

(SENATE AUTHORS: WESTROM)

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
 1.2 relating to taxation; estate; modifying application of the qualified farm property
 1.3 subtraction for calculation of the recapture tax; amending Minnesota Statutes 2018,
 1.4 section 291.03, subdivision 11.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2018, section 291.03, subdivision 11, is amended to read:

1.7 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before
 1.8 the death of the qualified heir, the qualified heir disposes of any interest in the qualified
 1.9 property, other than by a disposition to a family member, or a family member ceases to
 1.10 satisfy the requirement under subdivision 9, clause (8); or 10, clause (5), an additional estate
 1.11 tax is imposed on the property. In the case of a sole proprietor, if the qualified heir replaces
 1.12 qualified small business property excluded under subdivision 9 with similar property, then
 1.13 the qualified heir will not be treated as having disposed of an interest in the qualified property.

1.14 (b) The amount of the additional tax equals the amount of the ~~exclusion~~ subtraction
 1.15 claimed by the estate under section 291.016, subdivision 3, for qualified property as defined
 1.16 in subdivision 8, paragraph (d), multiplied by 16 percent.

1.17 (c) The additional tax under this subdivision is due on the day which is six months after
 1.18 the date of the disposition or cessation in paragraph (a).

1.19 (d) The tax under this subdivision does not apply to the acquisition of title or possession
 1.20 of the qualified property by a federal, state, or local government unit, or any other entity
 1.21 with the power of eminent domain for a public purpose, as defined in section 117.025,
 1.22 subdivision 11, within the three-year holding period.

2.1 (e) This subdivision shall not apply as a result of any of the following:

2.2 (1) a portion of qualified farm property consisting of less than one-fifth of the acreage
2.3 of the property is reclassified as class 2b property under section 273.13, subdivision 23, and
2.4 the qualified heir has not substantially altered the reclassified property during the three-year
2.5 holding period; or

2.6 (2) a portion of qualified farm property classified as class 2a property at the death of the
2.7 decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence,
2.8 garage, and immediately surrounding one acre of land is reclassified as class 4bb property
2.9 during the three-year holding period, and the qualified heir has not substantially altered the
2.10 property.

2.11 (f) This paragraph applies only to estates of decedents dying after June 30, 2011, and
2.12 before January 1, 2017, for which no tax liability was reported on the final estate tax return.
2.13 For purposes of estates qualifying under this paragraph, the amount of the subtraction
2.14 claimed by the estate for purposes of calculating the tax under paragraph (b) is deemed to
2.15 be the minimum amount of the subtraction necessary to reduce the amount of estate tax to
2.16 zero, without regard to the amount actually claimed on the final estate tax return. The
2.17 provisions of this paragraph expire effective January 1, 2021.

2.18 **EFFECTIVE DATE; SPECIAL PROVISION.** This section is effective retroactively
2.19 for estates of decedents dying after June 30, 2011, and before January 1, 2017, and claims
2.20 for refund of recapture tax may be made under a process established by the commissioner
2.21 for estates entitled to refunds under this section. The authority to file claims for refunds
2.22 under these provisions expires on January 1, 2021.