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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 2413

03/08/2016 Authored by Runbeck, Pugh, Lueck, Dettmer, Smith and others  
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to taxation; phasing out the state general levy; increasing the estate  
1.3 tax exclusion amount; amending Minnesota Statutes 2014, sections 275.025;  
1.4 289A.10, subdivision 1; 291.016, subdivision 3; 291.03, subdivisions 1, 1d;  
1.5 Minnesota Statutes 2015 Supplement, section 291.005, subdivision 1.

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

1.7 Section 1. Minnesota Statutes 2014, section 275.025, is amended to read:

1.8 **275.025 STATE GENERAL TAX.**

1.9 Subdivision 1. **Levy amount.** The state general levy is levied against  
1.10 commercial-industrial property and seasonal residential recreational property, as defined  
1.11 in this section. The state general levy ~~base amount~~ for commercial-industrial property is  
1.12 ~~\$592,000,000~~ \$601,400,000 for taxes payable in ~~2002~~ 2017. The state general levy for  
1.13 seasonal recreational property is \$12,142,000 for taxes payable in 2017. For taxes payable  
1.14 in subsequent years, the levy ~~base amount is increased~~ amounts are reduced each year  
1.15 by ~~multiplying the levy base amount for the prior year by the sum of one plus the rate of~~  
1.16 ~~increase, if any, in the implicit price deflator for government consumption expenditures~~  
1.17 ~~and gross investment for state and local governments prepared by the Bureau of Economic~~  
1.18 ~~Analysts of the United States Department of Commerce for the 12-month period ending~~  
1.19 ~~March 31 of the year prior to the year the taxes are payable~~ 25 percent of the payable in  
1.20 2017 amounts. The levy amounts are \$0 for taxes payable in 2021 and thereafter. The tax  
1.21 under this section is not treated as a local tax rate under section 469.177 and is not the  
1.22 levy of a governmental unit under chapters 276A and 473F.

1.23 The commissioner shall increase or decrease the preliminary or final rate rates for a  
1.24 year as necessary to account for errors and tax base changes that affected a preliminary or

2.1 final rate for either of the two preceding years. Adjustments are allowed to the extent that  
 2.2 the necessary information is available to the commissioner at the time the rates for a year  
 2.3 must be certified, and for the following reasons:

2.4 (1) an erroneous report of taxable value by a local official;

2.5 (2) an erroneous calculation by the commissioner; and

2.6 (3) an increase or decrease in taxable value for commercial-industrial or seasonal  
 2.7 residential recreational property reported on the abstracts of tax lists submitted under  
 2.8 section 275.29 that was not reported on the abstracts of assessment submitted under  
 2.9 section 270C.89 for the same year.

2.10 The commissioner may, but need not, make adjustments if the total difference in the tax  
 2.11 levied for the year would be less than \$100,000.

2.12 Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section,  
 2.13 "commercial-industrial tax capacity" means the tax capacity of all taxable property  
 2.14 classified as class 3 or class 5(1) under section 273.13, ~~except for~~ excluding:

2.15 (1) the first \$500,000 of market value of each parcel of commercial-industrial net tax  
 2.16 capacity as defined under section 273.13, subdivision 24, clauses (1) and (2);

2.17 (2) electric generation attached machinery under class 3; and

2.18 (3) property described in section 473.625.

2.19 County commercial-industrial tax capacity amounts are not adjusted for the captured net  
 2.20 tax capacity of a tax increment financing district under section 469.177, subdivision 2, the  
 2.21 net tax capacity of transmission lines deducted from a local government's total net tax  
 2.22 capacity under section 273.425, or fiscal disparities contribution and distribution net tax  
 2.23 capacities under chapter 276A or 473F. For purposes of this subdivision, the procedures  
 2.24 for determining eligibility for tier 1 under section 273.13, subdivision 24, clause (1),  
 2.25 shall apply in determining the portion of a property eligible to be considered within the  
 2.26 first \$500,000 of market value.

2.27 Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this  
 2.28 section, "seasonal residential recreational tax capacity" means the tax capacity of tier III of  
 2.29 class 1c under section 273.13, subdivision 22, and all class 4c(1), 4c(3)(ii), and 4c(12)  
 2.30 property under section 273.13, subdivision 25, ~~except that~~ excluding the first \$76,000  
 2.31 \$250,000 of market value of each noncommercial class 4c(12) property ~~has a tax capacity~~  
 2.32 ~~for this purpose equal to 40 percent of its tax capacity under section 273.13.~~

2.33 Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five percent of~~ The  
 2.34 state general tax must be levied by applying a uniform rate to all commercial-industrial tax  
 2.35 capacity and ~~five percent of the state general tax must be levied by applying~~ a uniform  
 2.36 rate to all seasonal residential recreational tax capacity. On or before October 1 each year,

3.1 the commissioner of revenue shall certify the preliminary state general levy rates to each  
 3.2 county auditor that must be used to prepare the notices of proposed property taxes for taxes  
 3.3 payable in the following year. By January 1 of each year, the commissioner shall certify the  
 3.4 final state general levy rate rates to each county auditor that shall be used in spreading taxes.

3.5 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2017.

3.6 Sec. 2. Minnesota Statutes 2014, section 289A.10, subdivision 1, is amended to read:

3.7 Subdivision 1. **Return required.** In the case of a decedent who has an interest in  
 3.8 property with a situs in Minnesota, the personal representative must submit a Minnesota  
 3.9 estate tax return to the commissioner, on a form prescribed by the commissioner, if:

3.10 (1) a federal estate tax return is required to be filed; or

3.11 (2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in  
 3.12 section 2001(b) of the Internal Revenue Code, made within three years of the date of the  
 3.13 decedent's death exceeds ~~\$1,200,000 for estates of decedents dying in 2014; \$1,400,000~~  
 3.14 ~~for estates of decedents dying in 2015; \$1,600,000~~ \$3,000,000 for estates of decedents  
 3.15 dying in 2016; ~~\$1,800,000 for estates of decedents dying in 2017; and \$2,000,000 for~~  
 3.16 ~~estates of decedents dying in 2018 and thereafter.~~

3.17 The return must contain a computation of the Minnesota estate tax due. The return  
 3.18 must be signed by the personal representative.

3.19 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
 3.20 December 31, 2015.

3.21 Sec. 3. Minnesota Statutes 2015 Supplement, section 291.005, subdivision 1, is  
 3.22 amended to read:

3.23 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following  
 3.24 terms used in this chapter shall have the following meanings:

3.25 (1) "Commissioner" means the commissioner of revenue or any person to whom the  
 3.26 commissioner has delegated functions under this chapter.

3.27 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued  
 3.28 and otherwise determined for federal estate tax purposes under the Internal Revenue Code,  
 3.29 increased by the value of any property in which the decedent had a qualifying income  
 3.30 interest for life and for which an election was made under section 291.03, subdivision 1d,  
 3.31 for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

3.32 (3) "Internal Revenue Code" means the United States Internal Revenue Code of  
 3.33 1986, as amended through December 31, ~~2014~~ 2015.

4.1 (4) "Minnesota gross estate" means the federal gross estate of a decedent after  
4.2 (a) excluding therefrom any property included in the estate which has its situs outside  
4.3 Minnesota, and (b) including any property omitted from the federal gross estate which  
4.4 is includable in the estate, has its situs in Minnesota, and was not disclosed to federal  
4.5 taxing authorities.

4.6 (5) "Nonresident decedent" means an individual whose domicile at the time of  
4.7 death was not in Minnesota.

4.8 (6) "Personal representative" means the executor, administrator or other person  
4.9 appointed by the court to administer and dispose of the property of the decedent. If there  
4.10 is no executor, administrator or other person appointed, qualified, and acting within this  
4.11 state, then any person in actual or constructive possession of any property having a situs in  
4.12 this state which is included in the federal gross estate of the decedent shall be deemed  
4.13 to be a personal representative to the extent of the property and the Minnesota estate tax  
4.14 due with respect to the property.

4.15 (7) "Resident decedent" means an individual whose domicile at the time of death  
4.16 was in Minnesota.

4.17 (8) "Situs of property" means, with respect to:

4.18 (i) real property, the state or country in which it is located;

4.19 (ii) tangible personal property, the state or country in which it was normally kept  
4.20 or located at the time of the decedent's death or for a gift of tangible personal property  
4.21 within three years of death, the state or country in which it was normally kept or located  
4.22 when the gift was executed;

4.23 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue  
4.24 Code, owned by a nonresident decedent and that is normally kept or located in this state  
4.25 because it is on loan to an organization, qualifying as exempt from taxation under section  
4.26 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is  
4.27 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

4.28 (iv) intangible personal property, the state or country in which the decedent was  
4.29 domiciled at death or for a gift of intangible personal property within three years of death,  
4.30 the state or country in which the decedent was domiciled when the gift was executed.

4.31 For a nonresident decedent with an ownership interest in a pass-through entity with  
4.32 assets that include real or tangible personal property, situs of the real or tangible personal  
4.33 property, including qualified works of art, is determined as if the pass-through entity does  
4.34 not exist and the real or tangible personal property is personally owned by the decedent.  
4.35 If the pass-through entity is owned by a person or persons in addition to the decedent,

5.1 ownership of the property is attributed to the decedent in proportion to the decedent's  
5.2 capital ownership share of the pass-through entity.

5.3 (9) "Pass-through entity" includes the following:

5.4 (i) an entity electing S corporation status under section 1362 of the Internal Revenue  
5.5 Code;

5.6 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

5.7 (iii) a single-member limited liability company or similar entity, regardless of  
5.8 whether it is taxed as an association or is disregarded for federal income tax purposes  
5.9 under Code of Federal Regulations, title 26, section 301.7701-3; or

5.10 (iv) a trust to the extent the property is includible in the decedent's federal gross  
5.11 estate; but excludes

5.12 (v) an entity whose ownership interest securities are traded on an exchange regulated  
5.13 by the Securities and Exchange Commission as a national securities exchange under  
5.14 section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

5.15 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
5.16 December 31, 2015.

5.17 Sec. 4. Minnesota Statutes 2014, section 291.016, subdivision 3, is amended to read:

5.18 Subd. 3. **Subtraction.** (a) The value of qualified small business property under  
5.19 section 291.03, subdivision 9, and the value of qualified farm property under section  
5.20 291.03, subdivision 10, or the result of \$5,000,000 minus the amount for the year of death  
5.21 listed in clauses (1) to ~~(5)~~ (3), whichever is less, may be subtracted in computing the  
5.22 Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero:

5.23 (1) \$1,200,000 for estates of decedents dying in 2014;

5.24 (2) \$1,400,000 for estates of decedents dying in 2015; and

5.25 (3) ~~\$1,600,000~~ \$3,000,000 for estates of decedents dying in 2016; ;

5.26 ~~(4) \$1,800,000 for estates of decedents dying in 2017; and~~

5.27 ~~(5) \$2,000,000 for estates of decedents dying in 2018 and thereafter.~~

5.28 (b) The subtraction under paragraph (a) does not apply to estates of decedents dying  
5.29 after December 31, 2016.

5.30 (c) For estates of decedents dying after December 31, 2016, the value of the federal  
5.31 exclusion amount under section 2010 of the Internal Revenue Code may be subtracted in  
5.32 computing the Minnesota taxable estate, but must not reduce the Minnesota taxable estate  
5.33 to less than zero. For purposes of this subdivision, the federal exclusion amount equals:

5.34 (1) the basic exclusion amount under section 2010(c)(3) for the year in which the  
5.35 decedent died; plus

6.1 (2) any deceased spouse unused exclusion amount that is allowed in computing the  
 6.2 federal estate tax of the estate; less

6.3 (3) the amount of taxable gifts made by the decedent that reduces the federal  
 6.4 applicable exclusion amount, but excluding any taxable gifts added under subdivision  
 6.5 2, clause (3).

6.6 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
 6.7 December 31, 2015.

6.8 Sec. 5. Minnesota Statutes 2014, section 291.03, subdivision 1, is amended to read:

6.9 Subdivision 1. **Tax amount.** The tax imposed must be computed by applying to the  
 6.10 Minnesota taxable estate the following schedule of rates and then the resulting amount  
 6.11 multiplied by a fraction, not greater than one, the numerator of which is the value of the  
 6.12 Minnesota gross estate plus the value of gifts under section 291.016, subdivision 2, clause  
 6.13 (3), with a Minnesota situs, and the denominator of which is the federal gross estate plus  
 6.14 the value of gifts under section 291.016, subdivision 2, clause (3):

6.15 (a) For estates of decedents dying in 2014:

6.16 Amount of Minnesota Taxable Estate	6.16 Rate of Tax
6.17 Not over \$1,200,000	6.17 None
6.18 Over \$1,200,000 but not over \$1,400,000	6.18 nine percent of the excess over \$1,200,000
6.19 Over \$1,400,000 but not over \$3,600,000	6.19 \$18,000 plus ten percent of the excess over 6.20 \$1,400,000
6.21 Over \$3,600,000 but not over \$4,100,000	6.21 \$238,000 plus 10.4 percent of the excess 6.22 over \$3,600,000
6.23 Over \$4,100,000 but not over \$5,100,000	6.23 \$290,000 plus 11.2 percent of the excess 6.24 over \$4,100,000
6.25 Over \$5,100,000 but not over \$6,100,000	6.25 \$402,000 plus 12 percent of the excess over 6.26 \$5,100,000
6.27 Over \$6,100,000 but not over \$7,100,000	6.27 \$522,000 plus 12.8 percent of the excess 6.28 over \$6,100,000
6.29 Over \$7,100,000 but not over \$8,100,000	6.29 \$650,000 plus 13.6 percent of the excess 6.30 over \$7,100,000
6.31 Over \$8,100,000 but not over \$9,100,000	6.31 \$786,000 plus 14.4 percent of the excess 6.32 over \$8,100,000
6.33 Over \$9,100,000 but not over \$10,100,000	6.33 \$930,000 plus 15.2 percent of the excess 6.34 over \$9,100,000
6.35 Over \$10,100,000	6.35 \$1,082,000 plus 16 percent of the excess 6.36 over \$10,100,000

6.37 (b) For estates of decedents dying in 2015:

6.38 Amount of Minnesota Taxable Estate	6.38 Rate of Tax
6.39 Not over \$1,400,000	6.39 None
6.40 Over \$1,400,000 but not over \$3,600,000	6.40 ten percent of the excess over \$1,400,000

7.1	Over \$3,600,000 but not over \$6,100,000	\$220,000 plus 12 percent of the excess over
7.2		\$3,600,000
7.3	Over \$6,100,000 but not over \$7,100,000	\$520,000 plus 12.8 percent of the excess
7.4		over \$6,100,000
7.5	Over \$7,100,000 but not over \$8,100,000	\$648,000 plus 13.6 percent of the excess
7.6		over \$7,100,000
7.7	Over \$8,100,000 but not over \$9,100,000	\$784,000 plus 14.4 percent of the excess
7.8		over \$8,100,000
7.9	Over \$9,100,000 but not over \$10,100,000	\$928,000 plus 15.2 percent of the excess
7.10		over \$9,100,000
7.11	Over \$10,100,000	\$1,080,000 plus 16 percent of the excess
7.12		over \$10,100,000

7.13 (c) For estates of decedents dying in 2016:

7.14	Amount of Minnesota Taxable Estate	Rate of Tax
7.15	Not over <del>\$1,600,000</del> <u>\$3,000,000</u>	None
7.16	Over <del>\$1,600,000</del> <u>\$3,000,000</u> but not over	<del>ten</del> 14 percent of the excess over <del>\$1,600,000</del>
7.17	<del>\$2,600,000</del> <u>\$8,100,000</u>	<u>\$3,000,000</u>
7.18	Over <del>\$2,600,000</del> <u>\$8,100,000</u> but not over	<del>\$100,000</del> <u>\$714,000</u> plus <del>12</del> 14.4 percent of
7.19	<del>\$6,100,000</del> <u>\$9,100,000</u>	the excess over <del>\$2,600,000</del> <u>\$8,100,000</u>
7.20	Over <del>\$6,100,000</del> but not over <del>\$7,100,000</del>	<del>\$520,000</del> plus 12.8 percent of the excess
7.21		over <del>\$6,100,000</del>
7.22	Over <del>\$7,100,000</del> but not over <del>\$8,100,000</del>	<del>\$648,000</del> plus 13.6 percent of the excess
7.23		over <del>\$7,100,000</del>
7.24	Over <del>\$8,100,000</del> but not over <del>\$9,100,000</del>	<del>\$784,000</del> plus 14.4 percent of the excess
7.25		over <del>\$8,100,000</del>
7.26	Over \$9,100,000 but not over \$10,100,000	<del>\$928,000</del> <u>\$858,000</u> plus 15.2 percent of the
7.27		excess over \$9,100,000
7.28	Over \$10,100,000	<del>\$1,080,000</del> <u>\$1,010,000</u> plus 16 percent of
7.29		the excess over \$10,100,000

7.30 (d) For estates of decedents dying in 2017: and thereafter, 16 percent of the amount  
 7.31 of the Minnesota taxable estate.

7.32	Amount of Minnesota Taxable Estate	Rate of Tax
7.33	Not over \$1,800,000	None
7.34	Over \$1,800,000 but not over \$2,100,000	ten percent of the excess over \$1,800,000
7.35	Over \$2,100,000 but not over \$5,100,000	\$30,000 plus 12 percent of the excess over
7.36		\$2,100,000
7.37	Over \$5,100,000 but not over \$7,100,000	\$390,000 plus 12.8 percent of the excess
7.38		over \$5,100,000
7.39	Over \$7,100,000 but not over \$8,100,000	\$646,000 plus 13.6 percent of the excess
7.40		over \$7,100,000
7.41	Over \$8,100,000 but not over \$9,100,000	\$782,000 plus 14.4 percent of the excess
7.42		over \$8,100,000
7.43	Over \$9,100,000 but not over \$10,100,000	\$926,000 plus 15.2 percent of the excess
7.44		over \$9,100,000
7.45	Over \$10,100,000	\$1,078,000 plus 16 percent of the excess
7.46		over \$10,100,000

8.1 (e) For estates of decedents dying in 2018 and thereafter:

8.2	Amount of Minnesota Taxable Estate	Rate of Tax
8.3	Not over \$2,000,000	None
8.4	Over \$2,000,000 but not over \$2,600,000	ten percent of the excess over \$2,000,000
8.5	Over \$2,600,000 but not over \$7,100,000	\$60,000 plus 13 percent of the excess over \$2,600,000
8.6		
8.7	Over \$7,100,000 but not over \$8,100,000	\$645,000 plus 13.6 percent of the excess over \$7,100,000
8.8		
8.9	Over \$8,100,000 but not over \$9,100,000	\$781,000 plus 14.4 percent of the excess over \$8,100,000
8.10		
8.11	Over \$9,100,000 but not over \$10,100,000	\$925,000 plus 15.2 percent of the excess over \$9,100,000
8.12		
8.13	Over \$10,100,000	\$1,077,000 plus 16 percent of the excess over \$10,100,000
8.14		

8.15 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
8.16 December 31, 2015.

8.17 Sec. 6. Minnesota Statutes 2014, section 291.03, subdivision 1d, is amended to read:

8.18 Subd. 1d. **Elections.** (a) For the purposes of this section, the value of the Minnesota  
8.19 taxable estate is determined by taking into account the deduction available under section  
8.20 2056(b) of the Internal Revenue Code. An election under section 2056(b) of the Internal  
8.21 Revenue Code may be made for Minnesota estate tax purposes regardless of whether the  
8.22 election is made for federal estate tax purposes. The value of the gross estate includes the  
8.23 value of any property in which the decedent had a qualifying income interest for life for  
8.24 which an election was made under this subdivision. The authority to make an election  
8.25 under this paragraph is limited to estates of decedents dying before January 1, 2017.

8.26 (b) Except for an election made under section 2056(b) of the Internal Revenue Code,  
8.27 no federal election is allowable in computing the tax under this chapter unless the estate is  
8.28 required to file a federal estate tax return, the election is made on the federal estate tax  
8.29 return, and the election is allowed under federal law.

8.30 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
8.31 December 31, 2016.