

MINNESOTA STATUTES 1975 SUPPLEMENT

290A.21 INCOME-ADJUSTED HOMESTEAD CREDIT

290A.21 Exclusive relief.

Sections 290.981 to 290.992, 290.0601 to 290.0616, and 290.0618 shall not be effective with respect to any rent paid after December 31, 1974 or property taxes payable after December 31, 1975.

[1975 c 437 art 1 s 21]

CHAPTER 291. INHERITANCES, DEVISES, BEQUESTS

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291.005 Definitions.

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

(1) "Probate Assets" means and includes property owned by a decedent at the time of his death required by section 524.3-706 to be listed on a personal representative's inventory and appraisal.

(2) "Non-Probate Assets" means and includes all property of every kind transferred from a decedent or at or by reason of the decedent's death which is subject to the inheritance tax imposed by this chapter (without regard to deductions or exemptions) and which does not consist of probate assets.

(3) "Commissioner" means and refers to the commissioner of revenue of this state or any person or body within the state department of revenue to whom he may have delegated his functions under this chapter.

(4) "Dependent child" means a natural child of the decedent, or a child adopted by the decedent who is incapable of furnishing his own support by reason of a physical or mental ailment, illness or deformity. The commissioner may request verification of the physical or mental condition of the child before allowing the exemptions and rates applicable to a dependent child under this chapter.

(5) "Stepchild" means a child who is not the decedent's natural or adopted child but is the natural or adopted child of the decedent's surviving or deceased spouse.

Subd. 2. The definitions set forth in section 524.1-201, wherever appropriate to the administration of the provisions of chapter 291 are incorporated by reference.

[1975 c 347 s 2]

291.07 Deductions.

Subdivision 1. In determining the tax imposed by section 291.01, where the estate has been submitted to the jurisdiction of the court, the following deductions shall be allowed if approved by the court in a formal proceeding:

(1) funeral expenses

(2) probate administration expenses, including but not limited to expenses incurred during administration in converting real and personal property held by the estate into cash

(3) expenses of last illness unpaid at death

(4) valid claims against the decedent which have been properly paid

(5) family maintenance to the extent provided by section 291.10

(6) value of personal property to the extent of the amount allowed under the provisions of section 525.15

(7) federal estate taxes determined as follows:

(a) the value of the net estate taxable in Minnesota reduced by the deduction

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allowable for transfer for public, charitable and religious use as prescribed by Internal Revenue Code, Section 2055 and by the marital deduction as prescribed by Internal Revenue Code, Section 2056, shall be the numerator of a fraction;

(b) the denominator of the fraction shall be the value of the net estate everywhere reduced by the same class of deductions allowable in subparagraph (a) above;

(c) the ratio of the fraction so derived shall be multiplied by the federal estate tax due and payable to the United States Treasury.

(d) for purposes of this clause, the net estate is defined as the gross value of the estate on the applicable valuation date reduced by any unpaid mortgages on, or any indebtedness in respect of, property where the decedent's interest therein, undiminished by such mortgage or indebtedness, is included in the value of the gross estate.

(8) other taxes which have accrued and are a lien on property in the estate at the time of death

(9) reasonable fees for legal or fiduciary services incident to non-probate assets

(10) Minnesota and federal income taxes on "income in respect of a decedent," as computed under subdivision 3.

Subd. 2. In determining the tax imposed by section 291.01, where an estate has not been submitted to the jurisdiction of the court, the following deductions shall be allowed:

(1) funeral expenses,

(2) expenses of last illness unpaid at death,

(3) federal estate taxes determined as follows:

(a) the value of the net estate taxable in Minnesota reduced by the deduction allowable for transfer for public, charitable and religious use as prescribed by Internal Revenue Code, Section 2055 and by the marital deduction as prescribed by Internal Revenue Code, Section 2056, shall be the numerator of a fraction;

(b) the denominator of the fraction shall be the value of the net estate everywhere reduced by the same class of deductions allowable in subparagraph (a) above;

(c) the ratio of the fraction so derived shall be multiplied by the federal estate tax due and payable to the United States Treasury;

(d) for purposes of this clause, the net estate is defined as the gross value of the estate on the applicable valuation date reduced by any unpaid mortgages on, or any indebtedness in respect of, property where the decedent's interest therein, undiminished by such mortgage or indebtedness, is included in the value of the gross estate;

(e) apportionment of the federal estate tax to the individual transferees shall be subject to the provisions of section 524.3-916.

(4) value of personal property to the extent of the amount allowed under the provisions of section 525.15. A formal order of the probate court is not necessary before these deductions may be taken in the computation of the tax,

(5) other taxes which have accrued and are a lien on property in the estate at the time of death,

(6) reasonable fees for legal or fiduciary services incident to non-probate assets,

(7) Minnesota and federal income taxes on "income in respect of a decedent," as computed under subdivision 3.

Where an estate has not been submitted to the probate court, deductions under (1), (2), (3) and (6) heretofore shall be allowed only to the persons actually having disbursed moneys for payments, and shall not exceed the net amount of such disbursements after giving credit for death benefits, medical and hospitalization insurance payments.

No deduction shall be allowed unless the person claiming the deduction when

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requested by the probate court or the commissioner, furnishes the court or the commissioner with information sufficient to enable the court or commissioner to determine the validity or correctness thereof.

Subd. 2a. The deductions set forth in subdivision 1 shall be allowed where the estate has been submitted to the jurisdiction of the court and the deductions taken have not been approved by the court in a formal proceeding. The deductions taken shall be submitted to the commissioner prior to the closing of the estate. The deductions shall be allowed unless the commissioner objects to any deduction claimed. The objection shall be made in the manner provided by section 291.09, subdivision 1.

Subd. 3. (a) The Minnesota and federal income tax allowed as deductions under subdivision 1, clause (10) and subdivision 2, clause (7) shall be computed as follows:

The table of rates required to be used by single taxpayers who itemize their allowable deductions shall be applied to the "income in respect of a decedent" as though such "income in respect of a decedent" constituted the entire income of the decedent taxable after giving effect to all allowable deductions. The amount of Minnesota or federal income tax as so computed shall not be diminished by any credits allowable by Minnesota or federal income tax laws.

(b) The deductions allowed herein shall be the only deductions allowed under this chapter for "income in respect of a decedent," without regard to the actual liability for income taxes that may be due and payable subsequently with respect to such "income in respect of a decedent."

[1975 c 347 s 3,4]

291.09 Determination of tax.

Subdivision 1. (a) Every personal representative shall submit to the commissioner a copy of the inventory and appraisal prepared by him in accordance with sections 524.3-706 to 524.3-708 relating to the inventory and appraisal, and a true and complete schedule of non-probate assets, on a form prescribed by the commissioner.

(b) Every personal representative shall file with the commissioner, on a form prescribed by the commissioner, an inheritance tax return showing the values contained in the inventory and appraisal and schedule of non-probate assets and deductions and exemptions claimed by the representative, and containing a computation of the inheritance tax due under the provisions of this chapter.

(c) Except as hereinafter provided, such inheritance tax return shall be conclusive as to the valuation of both probate and non-probate assets, to all other matters relating to the taxability of probate assets, and to the computation of the tax, unless, within 90 days after such filing, the commissioner, or any other person from whom any portion of such tax is due, has filed with the personal representative (and with the commissioner if the person objecting is one other than a personal representative) written objections to any matter. Except as provided in clause (f) of this subdivision, upon objection the commissioner shall fix the time and place of a hearing thereon no earlier than ten days and no later than 30 days after the date of the filing of the objection. At such hearing the commissioner shall consider all available material presented by the personal representative for the purpose of substantiating or verifying the matters subject to the objections. Not later than 30 days after such hearing, the commissioner shall issue an order indicating the adjustment, if any, of the computation of the inheritance tax due.

(d) If the court upon a hearing on a personal representative's account allows a deduction different in amount than that used in the determination of the inheritance tax return as provided in the preceding subparagraph (b), or if the court determines:

(i) such property passes to a person or persons other than the person or persons reported on the inheritance tax return; or

(ii) such property passes to the person or persons reported on the inheritance tax return in amounts or shares different than those reported thereon; or

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(iii) the relationship between the decedent and any person to whom property passes is other than the relationship reported on the inheritance tax return,

the commissioner not later than 90 days after receipt of a copy of the court's order or decree may issue an order adjusting the computation of the inheritance tax due in accordance therewith.

(e) The court may waive the filing of any inheritance tax return required by subparagraph (b) where it appears that no inheritance tax is due, but such waiver shall not limit the right of the commissioner to file a return pursuant to subdivision 3 hereof.

(f) If objections have been filed as provided in clause (c) of this subdivision, the personal representative or any other objector, in lieu of the hearing prescribed in clause (c) or subsequent to the hearing, may elect to have a formal proceeding under chapter 524 to determine the disputed matters.

(g) Any determination made by the commissioner may be appealed to the Minnesota tax court as provided in section 271.09.

[1975 c 347 s 5]

[For text of subs 2 to 6, see M.S.1974]

291.11 Time effective.

[For text of subs 1 to 4, see M.S.1974]

Subd. 5. When tax paid; refund. When property is transferred in trust or otherwise, and the rights, interest, or estates of the transferee are dependent upon contingencies or conditions whereby they may be wholly or in part created, defeated, extended, or abridged, a tax shall be imposed upon the transfer at the highest rate which, on the happening of any of the contingencies or conditions, would be possible under the provisions of this chapter, and such tax so imposed shall be due and payable forthwith by the executors or trustees out of the property transferred; provided, that on the happening of any contingency whereby the property, or any part thereof, is transferred to a person or corporation exempt from taxation under the provisions of this chapter, or to any person taxable at a rate less than the rate imposed and paid, such person or corporation shall be entitled to a return of so much of the tax imposed and paid as is the difference between the amount paid and the amount which the person or corporation should pay under the provisions of this chapter, with interest thereon at the rate of six percent per annum from the time of payment. Such return of overpayment shall be made in the manner provided by section 291.32.

[1975 c 377 s 20]

[For text of subs 6 to 9, see M.S.1974]

291.131 Penalties.

Subdivision 1. If any tax imposed by this chapter is not paid within the time specified for payment, or within 30 days after final determination of an appeal to the appropriate judicial forum, a penalty equal to ten percent of the unpaid tax shall be added to the tax.

Subd. 2. In case of any failure to make and file a return within the time prescribed or an extension thereof, unless it is shown that such failure is not due to willful neglect, a penalty of ten percent shall be added to the tax if the failure is for not more than 30 days with an additional five percent for each additional 30 days or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate. This penalty shall be in lieu of the penalty provided in subdivision 1.

Subd. 3. If any person with willful intent to evade the tax imposed by this chapter shall fail to file any return required by this chapter or shall with such intent file a false or fraudulent return, a penalty of 50 percent of any tax found to be

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due (less any amounts paid on the basis of such false or fraudulent return) shall be imposed. This penalty shall be in addition to any other penalties, civil or criminal, provided in this section.

Subd. 4. In addition to the penalties hereinbefore described, any person who knowingly fails to file a return at the time required by this chapter shall be guilty of a misdemeanor, unless no taxes are due. Any person who willfully files a false return with intent to evade such taxes shall be guilty of a gross misdemeanor. The term "person" includes any officer or employee of a corporation or a member or employee of a partnership who as such officer, member or employee is under a duty to perform the act in respect to which the violation occurs.

Subd. 5. The commissioner shall have the power to abate penalties when in his judgment their enforcement would be unjust and inequitable, subject to the approval of the attorney general if the abatement exceeds \$500.

Subd. 6. The amount of tax not timely paid, together with any penalty provided by this section, shall bear interest at the rate specified in section 270.75 from the time such tax should have been paid until paid. All interest and penalty shall be added to the tax and collected as a part thereof.

[1975 c 377 s 21]

291.132 Extension to file or pay.

The commissioner may extend the time for filing returns or making payment of the tax, without penalty, for a period not to exceed six months. Where an extension of time has been granted, interest shall be payable at the rate specified in section 270.75 from the date when such payment should have been made, if no extension had been granted, until such tax is paid.

[1975 c 377 s 22]

291.14 Inheritance tax a lien upon property.

Subdivision 1. Every tax imposed by this chapter shall be a lien upon the property embraced in any inheritance, devise, bequest, legacy, or gift until paid, and the person to whom such property is transferred shall be personally liable for such tax, until its payment, to the extent of the value of such property. No such lien shall be enforced against real property, included in the probate estate, unless the state shall assert the same by filing a statement of its lien in the office of the register of deeds or registrar of titles in the county wherein such real estate may be situated, within ten years after the date of any deed of distribution or decree of distribution which may be entered in the estate involved.

Subd. 1a. (1) Where an order approving distribution of property is not issued by the court, any tax due on the transfer of such property or interest to a devisee or to heirs who are entitled under the statutes of intestate succession shall be a lien upon such property until the tax imposed by chapter 291 is paid.

(2) The lien shall not be enforced against real property subject to the provisions of clause (1) unless the state asserts it by filing a statement of lien in the office of the register of deeds or the registrar of titles in the county where the real estate is situated within ten years from the date of recording a copy of the death record of the testate or intestate decedent, as the case may be, together with a statement by the commissioner acknowledging receipt of an inventory and appraisal listing the real property.

(3) When the tax on property subject to the provisions of this subdivision has been paid, or if there be deposited with the commissioner a sum of money in an amount equal to the tax which, in the judgment of the commissioner may be due upon the transfer of the property, or if there is no tax required to be paid, the commissioner shall certify on an affidavit prescribed by him or instrument of conveyance that the lien for inheritance tax has been satisfied or has been waived, as the case may be. The affidavit or instrument of conveyance so certified may be recorded as are other instruments affecting the title to real estate.

[For text of subd 2, see M.S.1974]

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Subd. 4. The lien of the state for inheritance taxes payable by a personal representative shall not extend to any right acquired by a bona fide purchaser, mortgagee, or lessee through any conveyance made by such personal representative, provided that such personal representative delivers to the register of deeds or registrar of titles, as the case may be, a declaration that the property described therein has been sold to a bona fide purchaser, or has been mortgaged or leased, as the case may be. The declaration so submitted shall have attached thereto a certified copy of letters evidencing the appointment of such personal representative. The register of deeds or registrar of titles shall submit a copy of such declaration to the commissioner at his office in St. Paul, Minnesota, without any requirement that the statements made therein by such personal representative have been verified. The lien so extinguished with respect to such bona fide purchaser shall not be reinstated or challenged by the commissioner.

[1975 c 347 s 6,7]

291.15 Interest.

If such tax is not paid within 12 months from the accruing thereof, interest shall be charged and collected thereon at the rate specified in section 270.75 from the due date until the date the tax is paid. In the event a person or corporation upon proper authorization makes a payment to be applied against the tax thereafter, no interest shall accrue on the amount so paid. All payments shall be applied first to penalties, next to interest and then upon principal.

In the event that the amount applied against the tax exceeds the tax as determined by the commissioner of revenue, the commissioner shall upon proper application order the refundment without interest. The commissioner of finance shall cause such refund to be paid out of the proceeds of the tax imposed by chapter 291, and so much of said proceeds as are sufficient to make the refund are hereby appropriated.

[1975 c 377 s 23]

291.18 Overpayment of tax; refunds; appropriation.

When any tax or penalty and accrued interest thereon, imposed by this chapter shall have been paid or collected, in excess of the amount legally due, the person or corporation paying the same shall be entitled to a refundment of the amount of such taxes, penalty and interest overpaid, together with interest thereon at the rate of six percent per annum from the date of payment, or from the date beginning 12 months after death of the decedent, whichever date occurs later, in the manner provided by section 291.32; provided that all applications for such refundment shall be made within two years from the date of final determination or adjustment of any part of such tax by the taxpayer and the commissioner, the probate court or the tax court, as the case may be.

There is hereby appropriated to the persons entitled to such refund, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the refund and payment.

[1975 c 377 s 24]

291.35 Time of payment.

The tax imposed by sections 291.34 to 291.40 shall become due and payable at the expiration of 12 months after the death of the person from whom the transfer is made, and executors, administrators, trustees, grantees, donees, beneficiaries, and surviving joint owners shall be and remain liable for the tax until it is paid. If the tax is not paid when due, a late payment penalty of ten percent of the unpaid tax shall be assessed and the unpaid tax and penalty shall bear interest at the rate specified in section 270.75 from the date that such tax should have been paid until paid.

[1975 c 377 s 25]

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291.46 Penalties, interest, limitation.

When in any case the board of arbitration determines that a decedent died domiciled in this state, the total amount of interest and penalties for nonpayment of the tax, between the date of the election and the final determination of the board, shall not exceed ten percent of the amount of the taxes per annum.

[1975 c 377 s 26]

CHAPTER 292. GIFT TAXES

| | | | |
|---------|---|---------|---------------------------------|
| Sec. | | Sec. | |
| 292.11 | Repealed. | 292.112 | Extension to file or pay. [New] |
| 292.111 | Penalties, interest, criminal liability. [New] | 292.12 | Refundment. |

292.11 [Repealed, 1975 c 377 s 41]

292.111 Penalties, interest, criminal liability.

Subdivision 1. If any tax imposed by this chapter is not paid within the time specified for payment, or within 30 days after final determination of an appeal to the appropriate judicial forum, a penalty equal to ten percent of the unpaid tax shall be added to the tax.

Subd. 2. In case of any failure to make and file a return within the time prescribed or an extension thereof, unless it is shown that such failure is not due to willful neglect, a penalty of ten percent shall be added to the tax if the failure is for not more than 30 days with an additional five percent for each additional 30 days or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate. This penalty shall be in lieu of the penalty provided in subdivision 1.

Subd. 3. If any person with willful intent to evade the tax imposed by this chapter shall fail to file any return required by this chapter or shall with such intent file a false or fraudulent return, a penalty of 50 percent of any tax found to be due (less any amounts paid on the basis of such false or fraudulent return) shall be imposed. This penalty shall be in addition to any other penalties, civil or criminal, provided in this section.

Subd. 4. In addition to the penalties hereinbefore described, any person who knowingly fails to file a return at the time required by this chapter shall be guilty of a misdemeanor. Any person who willfully files a false return with intent to evade such taxes shall be guilty of a gross misdemeanor. The term "person" includes any officer or employee of a corporation or a member or employee of a partnership who as such officer, member or employee is under a duty to perform the act in respect to which the violation occurs.

Subd. 5. The commissioner shall have the power to abate penalties when in his judgment their enforcement would be unjust and inequitable, subject to the approval of the attorney general if the abatement exceeds \$500.

Subd. 6. The amount of tax not timely paid, together with any penalty provided by this section, shall bear interest at the rate specified in section 270.75 from the time such tax should have been paid until paid. All interest and penalty shall be added to the tax and collected as a part thereof.

[1975 c 377 s 27]

292.112 Extension to file or pay.

The commissioner may extend the time for filing returns or making payment of the tax, without penalty, for a period not to exceed six months. Where an extension of time has been granted, interest shall be payable at the rate specified in section 270.75 from the date when such payment should have been made, if no extension had been granted, until such tax is paid.

[1975 c 377 s 28]