

DISCUSSION OF THE MINNESOTA NEW TAX LAW
By: Roben Hunter, JD, CPA, CVA, MAFF, Hunter Advisors, PLLC

Minnesota House and Senate have recently passed the Minnesota Omnibus Tax Bill and Governor Dayton signed it into law on May 23, 2013 (the "New Law"). Part of the New Law created a Minnesota Gift Tax of 10% on cumulative gifts over a million dollars. Minnesota is only the second state in the country to impose such a tax, with Connecticut being the first state to do so. The legislature did, however, give us a window of opportunity before the imposition of the tax. The gift tax is effective for **gifts completed after June 30, 2013**. That, however, is not the only provision in this New Law that created additional tax for Minnesotans. Below I have outlined a few other provisions in the New Law (this is not a complete list, merely a summary of several provisions affecting many of our clients):

- There is a new fourth-tier personal income tax bracket that applies a 9.85% rate to taxable income over \$150,000 for single taxpayers and \$250,000 for married filing joint returns;
- Minnesota will require that Minnesota gifts made within three years of death will be added back to the federal gross estate to determine if a Minnesota estate tax return will need to be filed – this provision is to be effective for decedents dying after 12/31/12;
- If there is Minnesota real estate in a pass-through entity, it will be considered Minnesota property even for a non-resident and be subject to gift and estate taxation (also effective for decedents dying after 12/31/12);
- There is an increase in the excise tax rate on cigarettes and other tobacco products as well as alcoholic beverages;
- Motor vehicles rental tax increased to 9.2%;
- There is an increase in alternative minimum tax to 6.75%.

There are also provisions that will impact Minnesota businesses. Please consult our tax advisors for more information on how the Omnibus Tax Bill will affect you.