NEW EXCLUSIONS FROM MINNESOTA ESTATE TAX
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At the end of 2010, the federal estate tax exemption amount was increased to $5 million, which means that up to $5 million dollars worth of assets can pass from an individual to others at death without incurring a federal estate tax. Unfortunately, Minnesota did not adopt the federal exemption amount but instead has continue to allow only $1 million dollars worth of assets as the Minnesota exemption amount. Therefore, Minnesota assets in an estate over $1 million have continued to be taxed in Minnesota.

A new law was passed during Minnesota's 2011 special session which provides a new exclusion from the Minnesota taxable estate. This exclusion only applies to decedents dying after June 30, 2011. The exclusion applies to estates with small business property or farm property and allows for an additional $4 million dollar exclusion for this type of property.

For the small business property to qualify under this exclusion, **all** of the following requirements must be meant:

1. The value of the property was included in the decedent's federal estate after deductions and bequests to a surviving spouse; and
2. The property consists of trade or business property (or stock/interests which are not publically traded); and
3. The decedent or decedent's spouse has materially participated in the business during the taxable year before the decedent's death; and
4. The business had gross annual sales of $10 million or less during the last taxable year ending before decedent's death; and
5. The property is not cash or cash equivalents; and
6. The decedent continuously owned the property for three years prior to the decedent's death; and
7. A family member continuously uses the property in the operation of the business for three years after the decedent's death; and
8. The estate and the heir agree to pay the recapture tax (equal to 16% of the amount of the exclusion) if number 7 does not come to fruition.

For the farm property to qualify, it must meet **all** of the following requirements:

1. The value of the property was included in the decedent's federal estate after deductions and bequests to a surviving spouse; and
2. The property consists of a farm under Minnesota Statute definitions; and
3. The property was classified as the homestead of the decedent and/or the decedent's spouse for property tax purposes; and

4. The property was additionally classified as Class 2a property for property tax purposes; and
5. The decedent continuously owned the property for three years prior to the decedent's death; and
6. A family member continuously uses the property in the operation of the business for three years after the decedent's death; and
7. The estate and the heir agree to pay the recapture tax (equal to 16% of the amount of the exclusion) if number 6 does not come to fruition.

A qualified heir to receive the property would be an individual who is:

1. The decedent's ancestor; or
2. The decedent's spouse; or
3. A lineal descendant of the decedent, the decedent's spouse or the decedent's parents; or
4. The spouse of any lineal descendant described above.

There is a special form that will need to be filled out as part of the Minnesota estate tax return to claim the exclusion.