

March 22, 2023

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 333 (Dahms), As Proposed to be Amended (SCS033A-1)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
General Fund	(\$4,700)	(\$9,900)	(\$13,900)	(\$16,400)

Effective for estates of decedents dying after June 30, 2023 and thereafter.

EXPLANATION OF THE BILL

Current Law: Starting in 2011, the federal estate tax was modified to allow a second decedent spouse’s estate to use any unused exclusion amount left over from the first decedent spouse’s estate. The policy is known as “portability” of the unused exclusion. Portability is currently not available under Minnesota law.

Proposed Law: The bill allows portability for the Minnesota estate tax by creating a new subtraction in computing the Minnesota taxable estate. The new subtraction equals the deceased spouse’s unused general exclusion amount up to \$3 million.

The deceased spouse’s unused general exclusion amount is the excess of \$3 million over the taxable estate of the last predeceased spouse. For example, if the last predeceased spouse’s taxable estate is \$2 million, then the unused exclusion amount is \$1 million (\$3 million - \$2 million).

An estate tax return may include an election to allow the decedent’s surviving spouse to claim the unused exclusion amount. The election is irrevocable once made.

REVENUE ANALYSIS DETAIL

- The estimate is based on Minnesota estate tax database which includes about 8,300 estate returns with year of death between 2014 and 2020, the individual income tax returns filed by the deceased over 2010-2020, and the Actuarial Life table used in 2022 Trustee Report by Social Security Administration (SSA).
- The estate database shows that, about 830 estate returns with a surviving spouse have some unused exclusion. The total amount of unused exclusion, limiting to no more than \$3 million is about \$875 million.
- The effective estate tax rate was estimated at 11%. The rate is applied to estimate the tax impact of the unused exclusion.

REVENUE ANALYSIS DETAIL (Cont.)

- The ages of surviving spouses are from the last individual income tax return filed under the predeceased. The probabilities of mortality for the surviving spouse within one year, two, three, four, and five years after the pre-deceased's death are estimated based on the age of the surviving spouses and the actuarial table.

Number of Taxpayers: About 100 taxpayers would benefit each year.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
revenue-analyses](https://www.revenue.state.mn.us/revenue-analyses)

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