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NEW STATE ESTATE TAX LAW

It seems that every other year brings a new set of estate tax laws. 1980 is one of those years. Anyone who keeps his or her property affairs up to date will want to know about the latest changes in Minnesota's estate tax law.

When the new Minnesota estate tax takes full effect the number of returns will decrease by 90 percent compared to the number filed currently, according to the state department of revenue. Eventually less than half the present staff will be required to administer estate and gift taxes.

The department also predicts that over 85 percent of estates which would be liable for some tax under the old inheritance tax will be totally exempt under the new estate tax. For 1981 the statewide tax savings are projected at \$16 million--a decrease of 35 percent.

The new state tax law closely follows the federal statute. If you inherit an estate after 1979, much of the information you will need for the state tax form can be copied from the federal form.

The 1979 Minnesota Legislature repealed the gift tax. This means persons making gifts will no longer be taxed. The legislature also repealed the inheritance tax and replaced it with an estate tax. This means the estate will be taxed, not the heirs.

add one--estate tax

Nothing will be taxed unless the value of the estate property exceeds certain levels in certain years. A Minnesota estate tax return needs to be filed for estates of owners who die during 1980 only if the federal gross estate is more than \$161,000. For owners who die in 1981 and following years, no return is required unless the estate is valued over \$175,000 on the federal form.

Methods of valuing property for the Minnesota estate tax are the same as for the federal tax, including the Special Use Valuation for land used for farming or other business purposes.

Computing the tax: The first step is to determine what is taxable. For residents, here is what you subtract from your federal gross estate to arrive at your Minnesota taxable estate:

1. \$200,000
2. The value of real property gifts located outside Minnesota but included in the federal gross estate
3. The value of property owned by the decedent but located outside the state
4. Various exemptions and deductions spelled out by the Minnesota estate tax statute (charitable contributions, marital deductions and others)

The second step is to apply the tax rate to the taxable estate. The tax rate structure was greatly simplified by the new law. The rate levied is:

1. Seven percent on the first \$100,000
2. Eight percent on the amount between \$100,001 and \$200,000
3. Nine percent on the amount between \$200,001 and \$300,000
4. Ten percent on the amount between \$300,001 and \$500,000
5. Eleven percent on the amount between \$500,001 and \$1 million
6. Twelve percent on the amount over \$1 million.

You are required to pay at least as much estate tax as you were given a credit for on your federal estate tax return.

add two--estate tax

If an estate is large enough to be taxed, a return must be filed with the Commissioner of Revenue and the tax paid within nine months after the death of the person who owned the estate. If the tax is \$5,000 or more, you may pay it in five equal installments over five years or less from the date of death. Certain types of taxpayers can be granted further time extensions.

Note: Winston Grant has studied law and holds a masters degree in agricultural economics. He is a six-year staff member of the Department of Agricultural and Applied Economics where he has twice taught an experimental course in agricultural law and coordinates the state-wide Law for Laymen program co-sponsored by the Minnesota State Bar Association and the Agricultural Extension Service. Readers are invited to send comments and questions to him at that department, University of Minnesota, St. Paul, Minn., 55108.

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