

1.1 A bill for an act
1.2 relating to taxation; estate; modifying application of qualified farm property
1.3 subtraction recapture tax; amending Minnesota Statutes 2017 Supplement, section
1.4 291.03, subdivision 11.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 11, is amended
1.7 to read:

1.8 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before
1.9 the death of the qualified heir, the qualified heir disposes of any interest in the qualified
1.10 property, other than by a disposition to a family member, or a family member ceases to
1.11 satisfy the requirement under subdivision 9, clause (7); or 10, clause (5), an additional estate
1.12 tax is imposed on the property. In the case of a sole proprietor, if the qualified heir replaces
1.13 qualified small business property excluded under subdivision 9 with similar property, then
1.14 the qualified heir will not be treated as having disposed of an interest in the qualified property.

1.15 (b) The amount of the additional tax equals the ~~amount of the exclusion claimed by the~~
1.16 ~~estate under subdivision 8, paragraph (d)~~ value of the disqualified property that ceases to
1.17 satisfy the requirements under subdivision 10, clause (5), multiplied by 16 percent.

1.18 (c) The additional tax under this subdivision is due on the day which is six months after
1.19 the date of the disposition or cessation in paragraph (a).

1.20 (d) The tax under this subdivision does not apply to the acquisition of title or possession
1.21 of the qualified property by a federal, state, or local government unit, or any other entity
1.22 with the power of eminent domain for a public purpose, as defined in section 117.025,
1.23 subdivision 11, within the three-year holding period.

2.1 (e) This subdivision shall not apply as a result of any of the following:

2.2 (1) a portion of qualified farm property consisting of less than one-fifth of the acreage
2.3 of the property is reclassified as class 2b property under section 273.13, subdivision 23, and
2.4 the qualified heir has not substantially altered the reclassified property during the three-year
2.5 holding period; ~~or~~

2.6 (2) a portion of qualified farm property classified as 2a property at the death of the
2.7 decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence,
2.8 garage, and immediately surrounding one acre of land is reclassified as 4bb property during
2.9 the three-year holding period, and the qualified heir has not substantially altered the property;
2.10 or

2.11 (3) a portion of qualified farm property consisting of less than one-fifth of the total
2.12 acreage is reclassified under section 273.13 during the three-year holding period, and the
2.13 qualified heir has not substantially altered the use of the reclassified property during the
2.14 three-year holding period.

2.15 **EFFECTIVE DATE.** The amendment to paragraph (b) is effective for estates of
2.16 decedents dying after December 31, 2018. The amendment to paragraph (e) is effective
2.17 retroactively for estates of decedents dying after June 30, 2011.