

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 2404

(SENATE AUTHORS: CHAMBERLAIN)

DATE	D-PG	OFFICIAL STATUS
03/13/2012	4363	Introduction and first reading Referred to Taxes

A bill for an act
relating to taxation; estate; modifying requirements for qualified farm
and qualified small business property; amending Minnesota Statutes 2011
Supplement, section 291.03, subdivisions 9, 10.
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 9, is
amended to read:

Subd. 9. **Qualified small business property.** Property satisfying all of the following
requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or
other ownership interests in a corporation or other entity engaged in a trade or business.
The decedent or the decedent's spouse must have materially participated in the trade or
business within the meaning of section 469 of the Internal Revenue Code during the
taxable year that ended before the date of the decedent's death. Shares of stock in a
corporation or an ownership interest in another type of entity do not qualify under this
subdivision if the shares or ownership interests are traded on a public stock exchange at
any time during the three-year period ending on the decedent's date of death.

(3) The gross annual sales of the trade or business were \$10,000,000 or less for the
last taxable year that ended before the date of the death of the decedent.

(4) The property does not consist of cash or cash equivalents. For property consisting
of shares of stock or other ownership interests in an entity, the amount of cash or cash
equivalents held by the corporation or other entity must be deducted from the value of

the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death.

(5) The decedent ~~continuously~~ owned the property ~~for the three-year period ending on the date of death of the decedent~~ decedent's date of death.

(6) A family member continuously uses the property in the operation of the trade or business for three years following the date of death of the decedent.

(7) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective for estates of decedents dying after June 30, 2012.

Sec. 2. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 10, is amended to read:

Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements is qualified farm property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of a farm meeting the requirements of section 500.24, and was classified for property tax purposes as the homestead of the decedent or the decedent's spouse or both under section 273.124, and as class 2a property under section 273.13, subdivision 23.

(3) The decedent ~~continuously~~ owned the property ~~for the three-year period ending on the date of death of the decedent~~ decedent's date of death.

(4) A family member continuously uses the property in the operation of the trade or business for three years following the date of death of the decedent.

(5) The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective for estates of decedents dying after June 30, 2012.