During its 2017 session, the Minnesota Legislature passed a new tax bill that was signed into law by Governor Dayton on May 30, 2017.

The tax bill includes changes to the Minnesota estate tax exclusion amount, which was retroactively raised from $1.8 million to $2.1 million for estates of decedents dying in 2017. The tax bill also provides that the estate tax exclusion amount will automatically increase to $2.4 million in 2018, to $2.7 million in 2019, and to $3.0 million in 2020 and thereafter.

In addition, the tax bill addresses the factors that may be applied by the Minnesota Department of Revenue in determining an individual’s domicile for tax purposes. Specifically, the Department is now prohibited from considering the location of an individual’s attorney, accountant, or financial adviser, or the place of business of a financial institution at which the individual opens or maintains an account.

The tax bill also increases the benefits of establishing a Section 529 college savings plan. An individual may now deduct for income tax purposes up to $1,500 ($3,000 for joint filers) of contributions to a Section 529 plan or prepaid tuition plan. It is important to note that this deduction is not limited to contributions made to a Minnesota sponsored Section 529 plan but rather applies to contributions made to any state sponsored Section 529 plan.
Also during the 2017 session, the Corporate Farm Law under Minnesota Statutes § 500.24 was revised to exempt revocable trusts from the annual reporting requirements. The law was originally enacted to help ensure that Minnesota farms were owned by individuals and not large business entities, and it requires corporations, limited liability companies, pensions or investment funds, limited partnerships, and trusts to file an annual report to the Commissioner regarding their farming operations. As a result, farmers who titled their land in the name of a revocable trust were required to file the annual reports in order to avoid penalties and to qualify for the estate tax deduction offered to qualified farm property. As a result of the new legislation, revocable trusts are no longer subject to these reporting requirements.

These changes might have an impact on your estate plan. We recommend that you contact an attorney in Gray Plant Mooty’s Trust, Estate & Charitable Planning group if you have any questions regarding the changes to the law and their impact on your current estate plan.
MINNESOTA RESIDENCY

You are considered a “resident” of Minnesota and therefore subject to Minnesota income and estate tax if you either:

(A) Spend at least 183 days in Minnesota and own, rent, maintain or occupy a residence in Minnesota; or (B) are domiciled in Minnesota.

Your domicile is the place in which you intend to permanently or indefinitely reside. Once domicile in Minnesota is established, it continues until action is taken to change it. Even if you move out of Minnesota, you still may be a resident of Minnesota for tax purposes. Establishing residency in another state does not revoke your status as a resident of Minnesota if it is determined that you continue to be domiciled in Minnesota.

The Minnesota Department of Revenue applies certain factors in determining whether you are domiciled in Minnesota, including but not limited to: (1) where you spend a majority of your time; (2) location of your spouse, children and other family members; (3) location of residences and the value of those residences; (4) location of employment; (5) professional licenses; (6) driver’s license and vehicle registrations; (7) voter registration; (8) insurance declarations; (9) tax reporting; and (10) location of memberships, clubs and other organizations.

No one factor will determine whether you are domiciled in Minnesota. However, the most important factor is where you spend a majority of your time. If you spend more time in Minnesota than any other single state, even if that amount of time in Minnesota is less than 183 days, the Department will likely determine that you are domiciled in Minnesota and a resident of Minnesota for tax purposes.

In addition, your spouse is generally assumed to be a resident of the same state as you.

We recommend that you contact an attorney in Gray Plant Mooty’s Trust, Estate & Charitable Planning group if you have questions or would like to discuss your status as a resident of Minnesota.
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