



**ESTATE TAX
Ten Year Reduction and Phase Out**

February 12, 2025

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 953 (Nelson) / H.F. 170 (Davids)

Fund Impact

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
			(000's)	
General Fund	(\$11,900)	(\$54,300)	(\$84,300)	(\$116,100)

Effective for decedents dying after June 30, 2025.

EXPLANATION OF THE BILL

Current Law: Since 2018 taxable estates have been taxed at the following rates:

Taxable Estate	Rate
Not over \$7,100,000	13%
Over \$7,100,000 but not over \$8,100,000	13.6%
Over \$8,100,000 but not over \$9,100,000	14.4%
Over \$9,100,000 but not over \$10,100,000	15.2%
Over \$10,100,000	16%

Proposed Law: The bill would require the Commissioner of Revenue, on July 1 of each year beginning with 2025, to reduce each rate by 1.6 percentage points until the rate reaches zero. Each year's new rate would be as follows:

Taxable Estate	FY26	FY27	FY28	FY29	FY30
Not over \$7,100,000	11.4%	9.8%	8.2%	6.6%	5.0%
Over \$7,100,000 but not over \$8,100,000	12%	10.4%	8.8%	7.2%	5.6%
Over \$8,100,000 but not over \$9,100,000	12.8%	11.2%	9.6%	8%	6.4%
Over \$9,100,000 but not over \$10,100,000	13.6%	12%	10.4%	8.8%	7.2%
Over \$10,100,000	14.4%	12.8%	11.2%	9.6%	8.0%

Taxable Estate	FY31	FY32	FY33	FY34	FY35
Not over \$7,100,000	3.4%	1.8%	0.2%	0%	0%
Over \$7,100,000 but not over \$8,100,000	4.0%	2.4%	0.8%	0%	0%
Over \$8,100,000 but not over \$9,100,000	4.8%	3.2%	1.6%	0%	0%
Over \$9,100,000 but not over \$10,100,000	5.6%	4.0%	2.4%	0.8%	0%
Over \$10,100,000	6.4%	4.8%	3.2%	1.6%	0%

REVENUE ANALYSIS DETAIL

- The estimate is based on the Minnesota estate tax database, which includes about 11,100 estate returns with years of death between 2014 and 2023, the individual income tax returns filed by the deceased over 2010-2023.
- Under current law, estate tax revenue is estimated at \$280.2 million in fiscal year 2026, increasing every year to \$310.2 million in fiscal year 2029.
- The bill would reduce estate tax collections by 5.7% for decedents dying in fiscal year 2026, 18.7% in fiscal year 2027, 28.1% in 2028, and 37.4% in fiscal year 2029.
- The fiscal impact will continue to grow each year until the tax is completely phased out for decedents dying on or after July 1, 2034.
- This analysis uses the November 2024 estate forecast.
- The returns in the database were filed under statutory provisions that were different than current law. Thereafter the estate tax amounts for returns in the database were recalculated to be consistent with current law.
- Estate tax returns are assumed to be filed nine months after the decedent's death.

Minnesota Department of Revenue
Tax Research Division
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