

MINNESOTA TAX LAW CHANGES

Retroactive to Jan. 1, 2017

GRAY
PLANT
MOOTY

FALL/WINTER 2017

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.



MINNESOTA TAX LAW CHANGES

Retroactive to Jan. 1, 2017

Continued

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 The law was originally enacted to help ensure that Minnesota farms were owned by individuals and not large business entities, and it requires corporations, limited liability companies,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.

GRAY

PLANT

MOOTY

MINNEAPOLIS

80 South Eighth Street
500 IDS Center
Minneapolis, MN 55402

ST. CLOUD

1010 West St. German Street
Suite 500
St. Cloud, MN 56301

WASHINGTON, D.C.

600 New Hampshire Avenue NW
The Watergate - Suite 700
Washington, D.C. 20037

FARGO

474 45th Street South
Suite 201
Fargo, ND 58103

gpmlaw.com

GET TO KNOW GRAY PLANT MOOTY'S NEWEST TRUST, ESTATE & CHARITABLE PLANNING ATTORNEYS.



MARYA P. ROBBEN

Marya P. Robben joined Gray Plant Mooty in June, moving her practice from another Minneapolis law firm. Marya enjoys the privilege of assisting clients with creating, understanding, and implementing their estate plans. With recognitions that include "Super Lawyer" by Minnesota Super Lawyers, Marya's ultimate goal is to help clients sleep at night, knowing their legacy is in good order.



JAMES R. THOMSON

James R. Thomson joined Gray Plant Mooty in September, having previously served as a judicial law clerk to the Honorable Susan Richard Nelson of the United States District Court for the District of Minnesota. Jim draws on his experience working at a family-owned consulting firm to understand and appreciate the difficult succession challenges facing multi-generational small businesses.



TRUST, ESTATE & CHARITABLE PLANNING ATTORNEYS:

Albert Andrews, Jr.	612.632.3003
Benjamin O. Bonestroo	612.632.3244
Ann B. Burns	612.632.3402
Julie A. Frommelt	612.632.3068
Sally Stolen Grossman	612.632.3007
Lee W. Hanson	320.202.5313
Robert E. Harding	612.632.3091
Kirsten E. Johanson	320.202.5308

James D. Lamm	612.632.3404
Karen E. McMahon	612.632.3254
Richard A. Moore, Jr.	612.632.3265
Sheryl G. Morrison	612.632.3376
Holly L. Okland	612.632.3409
Amy E. Papenhausen	612.632.3480
Marya P. Robben	612.632.3010
Toni M. Sandin	701.356.9035

Matthew J. Shea	612.632.3428
Paul W. Steil	320.202.5305
Robert A. Stein	612.632.3323
James R. Thomson	612.632.3251
Kristen L. Traiser	701.356.9034
Edward H. Tully	612.632.3445
Betsy J. Whitlatch	320.202.5321