

Subject Tax on unrealized gains

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Date March 23, 2021

Overview

H.F. 1689 would require an addition for the unrealized capital gains of a decedent on their final tax return. The gains would be calculated as if the decedent's property were sold at fair market value on the date of the decedent's death. Under current capital gains tax rules, the basis of inherited property is "stepped up," i.e. the heir's basis is equal to the fair market value of that property on the date of the decedent's death.

Summary

Section	Description
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1	Returns including nontaxed capital gains.
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Allows for an automatic extension of 275 days to file an individual income tax return that includes nontaxed capital gains and allows an additional 180 days for good cause. For reference, estate tax returns are due nine months from the date of the decedent's death and an extension for an additional six months or more is allowed.

Effective date: Tax years in 2021 and thereafter.

2	Nontaxed capital gains.
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Creates an addition for nontaxed capital gains that exceed \$1 million.

Effective date: Tax years in 2021 and thereafter.

3	Nontaxed capital gains.
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Subd. 1. Definitions. Defines "federal gross estate" as the gross estate as determined for federal purposes and "nontaxed capital asset" as a capital asset under the IRC, excluding agricultural homestead land.

Subd. 2. Determination of nontaxed capital gains. Nontaxed capital gains would be determined by calculating the gain on the assets as if they were sold for their fair market value (as determined under the federal estate tax rules) on the date

Section	Description
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of the decedent's death. Only the gains that would be included in a taxpayer's FAGI if the property were actually sold would be included in the amount of nontaxed capital gains.

Effective date: Tax years in 2021 and thereafter.



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