

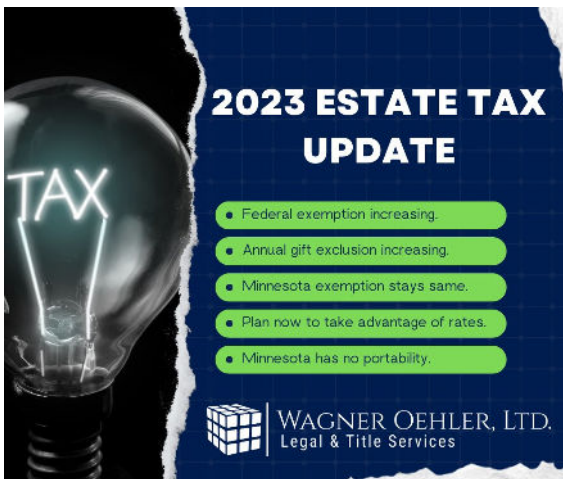


Winter 2023

Rochester (507) 288-5567

Winona (507) 615-0253

Estate and Gift Tax Update for 2023



A new year, new estate tax exemptions! While not everyone gets super excited talking about estate taxes (or better yet – how to protect against estate taxes), we certainly do! Effectively navigating estate and gift tax rules is an essential component of every estate planning firm. Here in Minnesota, we need to keep our eye on both Minnesota and federal estate and gift tax exemptions, rates, and deductions.

Federal Exemptions for 2023

The good news for 2023 is that the federal estate tax exemption, which is tied to inflation, is increasing to the highest exemption ever. Individuals. **The federal estate and gift tax exemption for 2023 is \$12,920,000 per individual, or \$25,840,000 for a married couple, (increased from \$12,060,000 in 2022, or \$24,120,000 for a married couple).** The top marginal rate remains 40 percent.

The gift tax annual exclusion is also increasing in 2023. **The federal annual gift tax exclusion amount is \$17,000 per donee for 2023 (which means a married couple can gift up to \$34,000 to any individual).**

The federal estate tax still also includes provisions for “portability,” which allows couples to double their exclusion amount of the first spouse to die. This allows married couples to protect over \$25 million without worrying about federal estate tax liability. These exemption amounts are scheduled to increase with inflation each year until the year 2025 when the amounts are scheduled to revert back to 2017 levels (unless Congress acts sooner).

If the estate tax exemption does revert to 2017, it would be a much smaller \$5 million per individual, which would be adjusted for inflation from 2010. Individuals and married couples that do not have a taxable estate under today’s exemption rates but would if (continued on next page)

the exemptions roll back should take advantage of planning now that will allow them to use the tax rules as they exist today. Our attorneys have a number of tools ready to deploy for those in this situation.



Minnesota Exemptions for 2023

The Minnesota estate tax exemption remains the same. **The Minnesota estate tax exemption for 2023 is \$3,000,000 per individual, or \$6,000,000 for a married couple.**

Tax rates range from 13 percent to 16 percent in 2023, with the top rate being applied to the amount of the taxable estate over \$10.1 million.

Unlike the federal estate tax, Minnesota does not allow for portability. This means that a married couple in Minnesota will not get to double their exemption amount to the eventual \$6 million amount. ***Instead, Minnesota couples with estates larger than \$3 million (or close to it) will need to carefully plan their estates and utilize credit shelter trusts to maximize their estate tax protection!***

Minnesota still has no gift tax. However, any gifts in excess of the federal gift tax annual exclusion amount made within three years of death are included in the Minnesota estate.

Minnesota farmers and small business owners still benefit from the qualified family farm land and qualified family business deduction. In 2023, this deduction is capped at \$2 million.

To qualify for the farm land deduction, the decedent or the decedent's spouse must have owned the qualifying property for three years before the date of death, and the heirs must own the land – and the land must continue to be classified as agricultural property for property tax purposes – for a period of three years after death. A failure to follow these rules will result in a recapture tax equal to 16 percent of the value of the property. See our blog post, [Minnesota Farm Land Deduction Offers Estate Planning Opportunities for Farmers](#) for more information.

To learn more, about estate planning, keep an eye on our Events page located at: <https://www.wagnerlegalmn.com/events/>.

2023 IRS Mileage Rate Announced

Each year, the Internal Revenue Service updates the mileage reimbursement rate for deductible vehicle expenses. Occasionally, as with 2022, they will update rates mid-year if inflation or other factors warrant. For 2023, the rates are **65.5 cents** for business miles (an increase of 3 cents from June 2022), **22 cents** for medical miles (no change) and **14 cents** for charitable miles (this rate is statutory and is unchanged).

Business miles rates are based on an annual study regarding the cost for operating and maintaining a vehicle such as fuel, repairs, licensing, and depreciation. Medical costs are determined by a variety of factors. Be sure to update any documents you use for tacking mileage expenses to the new rate for 2023.

It's Planning Season

For each season, there is planning that you must do on the farm. To be successful, this planning must be done thoughtfully and in advance. Your life is no different. To properly plan for the next season in your life and the lives of your family, a well-executed estate plan is a must. Below are a few documents to consider when crafting a plan to protect yourself, your family, your business, and your legacy.



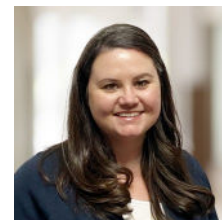
Trust: A trust is a written agreement that is funded with the assets that you own and names a trustee to oversee and administer the assets on behalf of named beneficiaries. In the beginning, you can be both the trustee and the beneficiary. One benefit of a trust is that, should you become incapacitated, the successor trustee that has already been named in the written agreement and can seamlessly step in and continue handling the financial assets owned by the trust on your behalf. Thereafter, when you pass away, the remaining assets will be allocated according to your instructions in the trust. Because the assets are deemed to be owned by the trust, and you have already determined what will happen to them, there will be no need for probate. A specifically-crafted trust has the additional benefit of protecting your assets (the farm) from the creditors of your beneficiaries.

IMPORTANT: You need to make sure that you work with an experienced estate planning attorney to ensure that any trust that is created and funded with farming assets is structured in a way that does not disqualify or reduce any governmental farming subsidies you could be receiving.

Financial Power of Attorney: A financial power of attorney is a written document in which you appoint a person to handle a variety of financial and property transactions on your behalf. This can include signing contracts for you, making deposits into your bank account, managing property, paying taxes, and opening new accounts for you. The specific powers given to an agent under a power of attorney will depend upon your wishes and what you list in the document itself. If your land, equipment, and associated bank accounts are in your name alone, it is incredibly important to have this document in place so someone will have the authority to maintain your business and associated transactions should you be unable to do so.

Medical Power of Attorney: Farming can be a very strenuous and taxing career. Having a medical power of attorney in place is therefore crucial. This document allows you to name an individual to make medical decisions on your behalf in the event you are unable to do so. While this is only applicable if you are incapacitated or otherwise unable to communicate your own wishes, this document will save your family a lot of time and money by making it unnecessary for them to go to the court to have someone appointed by a judge.

We understand how important your farm and family are to you. We want to make sure that you are properly protected and that everything is in place to properly transition your farming legacy to the next generation. Give us a call to schedule an appointment so we can evaluate your unique situation and craft a plan to help ensure your legacy will be a lasting one.



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Office Hours and Locations

Rochester: 1801 Greenview Drive SW, Ste. 102

Monday – Thursday 8:30 – 4:30

Friday 8:30 – 3:30

St. Charles: 819 Whitewater Ave

Tuesday 12:30 – 4:30

Thursday 9:00 – 12:00

By appointment

Winona: 65 Johnson Street

Monday – Thursday 8:30 – 4:00

Friday 8:30 – 3:30

To schedule an appointment in any of our offices, please call (507) 288-5567.



Wagner Oehler, Ltd.
(507) 288-5567
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Events Schedule

AGWEEK Farm Show Booth:

Tuesday, March 7 from 9:00 AM – 7 PM

Wednesday, March 8 from 9:00 AM – 3 PM

Graham Arena, Olmsted County Fairgrounds

KEEPING THE FARM IN THE FAMILY Seminar

Wednesday, March 22, 2023 10:30 AM–Noon

St. Charles Community Center

830 Whitewater Avenue, St. Charles, MN 55972

SO YOU'VE BEEN NAMED AS AN EXECUTOR Seminar

Wednesday, March 29, 2023 2:00–3:30 PM

Rochester Area Foundation Community Room

12 Elton Hills Drive NW, Rochester, MN 55901

To sign up for our seminars, please email janice.domke@wagnerlegalmn.com or call our office at (507) 288-5567.

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