

SB 498 -4 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 1/25, 4/18, 5/9, 5/31

WHAT THE MEASURE DOES:

Creates an exclusion from the Estate Tax for any interest in natural resource property that is held by a decedent for at least one year prior to death and is transferred, at the time of death, to one or more family members of the decedent. Allows estates to claim an exemption for up to \$15 million of natural resource property value and if claiming the exemption, they may not claim the existing Natural Resource Credit. Applies to the estates of decedents dying on or after July 1, 2023. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Stewardship of natural resources
- Planning and reporting current ownership and use requirements
- Potential need to liquidate estate assets to pay tax
- History of state and federal estate tax
- Increasing value of real estate
- Comparison to current-law Natural Resource Credit

EFFECT OF AMENDMENT:

-4 Adds requirement that exempted natural resource property be owned by a family member of decedent for five years prior to decedent's death and for five consecutive calendar years following the decedent's death. Requires material participation of a family member 75% of each year five years prior to decedent's death and five years after. Reimposes tax eliminated by the exclusion if the property is sold or transferred to a person other than a family member in the five calendar years after the decedent's death or if material participation requirement is not met.

BACKGROUND:

Oregon's Estate Tax is imposed when a property transfer is caused by the owner's death. The tax is based on the value of property transferred. Tax is calculated starting at a value of \$1 million dollars with a tax rate of 10 percent. The tax rate increases with estate value, with the top rate of 16 percent for estates above \$9.5 million. For estates with property inside and outside of Oregon, a ratio is applied to apportion the value of the property subject to the tax.

The estate tax has an optional natural resource credit for farm, forest, or fishing property in Oregon. The property must be transferred to a family member and owned and used for specified purposes five out of eight years preceding and after a decedent's death. The credit reduces taxes in proportion to the value of natural resource property, with the proportion calculated as natural resource property (up to \$7.5 million) divided by adjusted gross estate. The credit is available to estates up to \$15 million in adjusted gross estate if the specified property is at least 50 percent of adjusted gross estate value in Oregon.

SB 498 would add an exemption for natural resource property in Oregon that could be used instead of the existing credit. The exemption could apply to an interest in natural resource property of up to \$15 million in Oregon for estates of any size if the property was held by the decedent for one year prior to the decedent's death.