**SB 498 A STAFF MEASURE SUMMARY** **Carrier:** Sen. Hansell

**Senate Committee On Finance and Revenue**

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| **Action Date:** | 05/31/23 |
| **Action:** | Do pass with amendments. (Printed A-Eng.) |
| **Vote:** | 4-1-0-0 |
| **Yeas:** | 4 - Boquist, Findley, Jama, Meek |
| **Nays:** | 1 - Golden |
| **Fiscal:** | Has minimal fiscal impact |
| **Revenue:** | Revenue impact issued |
| **Prepared By:** | Jonathan Hart, Economist |
| **Meeting Dates:** | 1/25, 4/18, 5/9, 5/31 |

**WHAT THE MEASURE DOES:**

Creates an exclusion from the Estate Tax for natural resource property that is transferred to family members because of a person's death. Allows an exclusion up to $15 million of property value. Requires the excluded property be owned by decedent for five years prior to death and owned by family members for five calendar years following the death. Requires use of the property and material participation of a family member in a natural resource business. Participation must be 75% of each year five years prior to decedent's death and five years after. Reimposes tax if the post-death ownership or material participation requirements are not met. Specifies estates may not claim the existing Natural Resource Credit if they claim this new exclusion. Applies to the estates of decedents dying on or after July 1, 2023. Takes effect on the 91st day after 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:**

Requires the excluded property be owned by decedent for five years prior to death and owned by family members for five calendar years following the death. Requires use of the property and material participation of a family member in a natural resource business. Participation must be 75% of each year five years prior to decedent's death and five years after. Reimposes tax if the post-death ownership or material participation requirements are 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 with up to $15 million in adjusted gross estate if the specified property is at least 50 percent of adjusted gross estate value in Oregon.