

February 8, 2023

Oregon House Revenue Committee
Oregon State Capitol
900 Court St. NE
Salem, OR 97301

Dear Chair Nathanson and Members of the House Committee on Revenue.

I thank you for holding a hearing on Oregon's Estate Tax, and House Bill 2624. I am very concerned that if we don't reform Oregon's estate tax we will continue to lose our high net worth residents and both the income taxes they pay and the non-profit work they do in our communities. These very individuals have been and will continue to leave the state to avoid this onerous tax.

I am a native Oregonian and co-founder of People's Bank of Commerce, a community bank headquartered in Southern Oregon with branches in Marion, Lane, Klamath, Josephine, and Jackson Counties. Our bank is a full-service community Bank focusing on serving the businesses in our communities.

The estate tax issue is a very important issue to our clients, most of whom are small business owners, who through hard work and conservative spending habits have over many years been able to create personal net worth's significantly exceeding Oregon's \$1,000,000 estate threshold. The issue has become even more problematic as more of our baby boomer generation enters retirement.

For our bank to continue to grow and meet the needs of our communities we need to have access to local deposits to fund loan growth. Unfortunately, we are losing deposits from our largest depositors who, when they retire, move their primary residence out of Oregon to more tax friendly states. These states include Arizona, Nevada, California, Washington and even Texas. Many of these retirees will still have a second home in Oregon, but for residency purposes will not be Oregonians. These retirees have all received professional tax advice, which they follow, to prepare for retirement. Unfortunately for my bank, this often includes moving their banking relationship out of state with them.

In a letter I sent in February 2019 to the Oregon Senate Finance and Revenue Committee, I listed two examples of this issue. The first dealt with the owner of a local company with a 36-year history in our market. The elderly primary owner, after celebrating this 82nd birthday, sold his business and set-up residency in Nevada, costing my bank many millions in deposits, and the state tax revenue. The second example was of a very successful software designer with a

nationwide footprint, who sold this business to an out of state company. This owner, still in his early 60's, extremely worried about Oregon's estate tax, followed the advice of his CPA and moved his primary residence to Nevada, again taking many income tax dollars out of Oregon and tens of millions in dollars out of my bank.

Unfortunately, the trend has not stopped. The owner of a trucking business bought a home in Washington and made that his primary residence for tax reasons. The CEO of another Northern Oregon business bought a home in Vancouver, WA, to avoid the tax. These examples reflect the strategies High Net Worth individuals use to limit or avoid this tax.

As a state we seemed to have forgotten that the very people subject to this onerous tax are the most capable of solving the problem by moving to a more estate tax favorable areas, of which there are many. Again, I ask you to help us retain this very influential, community supportive and financially successful group in our state.

As represented by the information before you today, a variety of proposals exist that would mitigate the negative impact of the estate tax. From abolishing the estate tax altogether, reducing rates, increasing the exemption amount or exempting certain businesses altogether, a discussion needs to take place on reforming Oregon's Estate Tax. We do not need to create incentives for more Oregon individuals and businesses to leave the state.

On behalf of my bank and our community, I stand ready to engage with the legislature in addressing this important issue. Thank you for the opportunity to work to find solutions to this continuing problem.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken', with a long horizontal line extending to the right.

Kenneth Trautman
CEO
People's Bank of Commerce
1528 Biddle Road
Medford, OR 97504