



SB 939 An estate tax bill for those who won the birth lottery

Senate Finance and Revenue – Jody Wiser – 3.14.2023

We question why the legislature is discussing this bill to make the fortunate more fortunate (or the wealthy more wealthy) at the expense of revenue that could otherwise address the state's deep issues.

The extra \$300,000 in tax-free income for inheritors in this bill likely comes at a cost of roughly \$100 million per biennium, every biennium, forever. Indexing would add to that cost.

There are fifteen estate tax bills before the legislature this year. Their sponsors attend to those who won the birth lottery and stand to inherit more than \$1 million from one or more of their parents, grandparents, or others.

- If we housed our citizens,
- had a mental health service system not ranked 50th among the states,
- paid our teachers appropriately,
- supported our police forces adequately,
- subsidized colleges the way we did 40 years ago so that graduates didn't carry crushing debt burdens, and
- provided a functioning criminal justice system with adequate public defense attorneys, we might better understand the concerns of these bills.

But given the context, this bill is a non-starter. SB 939 increases the exemption from \$1 million to \$1.3 million and indexes that extra \$300,000, the \$1 million, or both, it is not clear. This reduces the taxes on roughly 1800 estates per year. For estates of \$1,300,000, SB 939 makes a difference of \$30,000 in reduced tax. For the largest estates, those over \$9.5 million it makes a difference of \$48,000. In neither case do the inheritors' tax reductions compare to any other crying need in our state. It just doesn't rank.

Most recently the estate tax has provided more than \$243 million in revenue from the estates of less than 5% of decedents. Fifty-nine of those estates used our natural resource exemption in 2020, gaining an extra \$7.5 million exemption for family farms and forests in that year.

The fact that decedents' homes may be valued at more than \$1 million is often mentioned in the estate tax hearings. That fact is irrelevant to the discussion.

We suspect that the inheritors of homes of that value already own homes. They don't need their parents' home, or if they prefer it, they have something to sell that will generate additional wealth with which they could pay the taxes that will be 10-16% of the assets valued over one million they are inheriting.

We urge you to turn your attention to the real problems of the state.

We also suspect there are drafting issues with this bill.

- What is indexed: \$300,000, \$1,000,000 or both?
- The indexing formula appears to be off.
- The estate of the second to die who was predeceased by a spouse gets a one million dollar exclusion for their spouse's estate even though their estate may not have been worth \$1 million.

If you have questions about the natural resource exemption created in 2007, you should know that I was part of that taskforce that worked with the Oregon Law Commission to design the exemption. Farm and forest owners were well represented, as were CPAs familiar with their tax returns.

Thank you for the opportunity to testify before you.