

Lloyd Helikson
Eugene, Oregon
lwhelikson@gmail.com

Testimony in Support of SB 939, with Proposed Changes

I support SB 939 with the requested amendments below. However, I believe the better and more simple approach is to increase Oregon's exemption from \$1 million to \$2 million, such as pursuant to HB 2259, indexed to inflation, effective 1/1/23, and with a parallel amendment to ORS 118.160(1) adding a new return filing threshold. Another option is the format of SB 68, which adds an additional exemption which reduces to zero over increased estate value so that large estates are not benefitted by the additional exemption.

SB 939 adds a \$300,000 estate tax exemption in addition to the current \$1 million exemption, indexes the additional exemption to inflation, and enhances the marital property deduction. For clarification, Sec. 2.(1) of SB 939 should be amended so after the comma it reads to the effect: "\$300,000 is allowed as an additional exclusion from the Oregon taxable estate under this chapter."

The additional exemption in SB 939 may be based upon the impact of inflation occurring since 2011, when the \$1 million exemption was codified. In order to attempt to track the bill's formula for indexing, I used August 31, 2022 as the ending date, and January 1, 2011 as the beginning date. My use of the US Bureau of Labor Statistics national CBI calculator available online shows that \$1 million in January 2011 would be the equivalent of \$1.345 million as of August 2022. See <https://data.bls.gov/cgi-bin/cpicalc.pl> I am assuming that indexing would occur as of August 31, 2023 for the prior year, and every year thereafter, but that it would only apply to the additional \$300,000 exemption.

I support starting the inflation calculation as of 2006 rather than 2011. As of 2003, Oregon might not have had an express exemption, but did not require the filing of an estate tax return unless the value of the gross estate was \$700,000 or more. This amount increased such that, as of 2006, no estate tax return was required to be filed unless the estate was \$1,000,000 or more, as I understand. There was thus an effective \$1 million exemption as of January 1, 2006, except that the entire estate was taxed if the \$1 million was reached, as I understand. See ORS 118.160(1)(b); 2003 Or Laws Ch. 806.

When the same CBI inflation calculator is used, \$1 million as of January 1, 2006 would be the equivalent of \$1.494 million as of August 2022. In order to account for inflation since 2006, SB 939 should be amended to add an

additional \$500,000, rather than \$300,000, exemption, or to make the entire Oregon exemption a single \$1.5 million exemption.

SB 939 should also be amended to index all exemption amounts to inflation. As written, Oregon's combined exemptions will not keep up with inflation over time.

SB 939 should also be amended to have it apply to estates as of 1/1/23 rather than 1/1/24. Otherwise, the estate tax reform will not be accounting for any inflation, including the current high inflation, for estates opened during 2023. Increasing Oregon's estate tax exemption is long overdue, and it would be fair to have the increase apply to estates as soon as possible.

Finally, SB 939 should include an amendment to ORS 118.160(1) to add a parallel section (d) to the effect: "An estate tax return is not required with respect to the estates of decedents who die on or after January 1, 2023, unless the value of the gross estate is \$1.5 million or more."

Some people who twenty years ago never thought they would be significantly impacted by the Oregon estate tax find themselves in a position where, due to inflation and other factors, substantial Oregon estate tax will be owed. The estate tax will particularly impact small businesses where the assets creating the estate tax obligation are in the business and associated real property.

Oregon is only one of 12 states and the District of Columbia that even have an estate tax, with a few having an inheritance tax. The Oregon and Massachusetts exemption of \$1 million, are the lowest estate tax exemptions in those states with an estate tax. The next 2 lowest exemptions are Rhode Island (\$1,733,264) and Washington (\$2,193,000). Oregon should at least increase its estate tax exemption to be competitive with Washington, with none of Oregon's other neighboring states having any estate tax.

The Oregon Department of Revenue 2022 Annual Report shows a 27% increase in estate tax revenue in one year from FY 21 to FY 22.¹ This trend may continue as the estates of baby boomers and their parents become subject to the estate tax. Increasing the estate tax exemption may only reduce the increase in estate tax revenues, as opposed to reducing current revenues. Less future estate tax revenues may also be accommodated by less kicker returned to taxpayers.

Thank you for your consideration of my comments.

¹ https://www.oregon.gov/dor/gethelp/Documents/FINAL%20Oregon%20Department%20of%20Revenue%202022%20Annual%20Report.pdf?utm_medium=email&utm_source=govdelivery