



Date: March 27, 2023

To: Chair and Members of the Senate Finance and Revenue Committee

From: Scott Bruun, OBI

RE: Testimony in support of SB 68 / Estate Tax Exemption Increase

Chair Meek and Members of the Committee,

I am Scott Bruun, director of tax, fiscal and manufacturing policy for Oregon Business & Industry. OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

Thank you for the opportunity to testify, OBI strongly supports SB 68.

As you know, current Oregon law only exempts the first \$1 million of a deceased's property value prior to estate taxation. This makes Oregon one of only two states at this low exemption level, meaning that bereaved Oregon families pay the nation's highest estate taxes. This is harmful policy, and also one of the several tax-related reasons which serve to drive families and businesses out of Oregon.

We support SB 68 because it would create an additional exemption of \$1.5 million for estates valued up to \$4.5 million, and then progressively reduce the amount for estates valued up to \$8.5 million, at which point the additional exemption goes away. In other words, this bill is specifically targeted to assist smaller family businesses and smaller family farms.

While OBI supports the full repeal of the estate tax which we believe is harmful to Oregon families, workers, as well as the overall business climate, we do believe SB 68 is a significant step in the right direction.

SB 68 would help family farms and small businesses as even the smallest of those farms and businesses can easily achieve \$1 million in book value, especially in this inflationary environment. In fact, according to the Legislative Revenue Office's 2023 Oregon Public Finance: Basic Facts book, 82% of the Oregon estate tax returns filed in 2020 were for taxable estates of less than \$2.5 million.

Given the low exemption in Oregon, it's easy to understand how family business owners may be incentivized to relocate in other states, or how businesses may be discouraged from starting operations in Oregon in the first place. This is further exacerbated by the fact that Oregon's overall business tax burden has increased 30% since 2019, according to a study by Ernst & Young.

Oregon's current estate tax not only leads to a loss or suppression of jobs here in Oregon but also a related loss of income and payroll tax revenues. This is significant, because the amount of revenue collected by the state through the estate tax is relatively small, roughly only 2% of General Fund revenues. In other words, the state may be gaining a small amount of estate tax revenue at the expense of losing larger amounts of income and payroll tax revenues, not to mention goodwill.

For these reasons, OBI supports SB 68 and urges the committee to pass this important legislation.

Thank you for your consideration.

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