



SB 498: The -1 amendment does not fix a flawed estate tax bill

Senate Committee on Finance and Revenue | 4/18/2023 | Bennett Minton

Chair Meek, Vice Chair Boquist, members of the committee:

I'm Bennett Minton with Tax Fairness Oregon. We are a network of volunteers who advocate a tax code that is rational and equitable.

I am happy to debate Senators Findley and Hansell about the wisdom and equity of the estate tax. I'm missing Senator Findley today, and I'm honored that Senator Hansell remains in the room. I respect their arguments as I respect them. We are passionate, and we are friendly.

I am happy to engage in a discussion about family farms and the desire to maintain them as farms. Under current estate-tax law, estates valued at no more than \$15 million with at least half that value in farm, forest or fisheries property are exempt.

Family operations do not appear to be the subject of the bill. As introduced and as amended by the -1, the bill would benefit not the heirs of family farms, but the heirs of gentleman farms. It's an asset diversification tool.

The bill would allow a gentleman farmer—like me—to buy a country ranch as a prospective gift for my children that for them would be tax-free. Let's look at how it would work.

Let's say I have an estate that fits within the current exemption: \$15 million. I buy a farm in eastern Oregon for \$7.5 million.

I'm not a farmer, I'm a retiree who spends some of my intellectual energy pestering the legislature. But I lease my farm to a farmer for six years. Within a year, I die, leaving the farm to my kids. If they hold the farm until the farm lease runs out, they can dispose of it, pocketing their gain, which they had no role in creating, tax-free, along with the rest of my estate.

This bill is a gimmick benefiting investors, not farmers.

If elements of current law are so complicated that taxpayers are effectively prohibited from using it, then perhaps the committee should examine simplification.

If some small farmers that currently fall within the exemption fall out of it because they buy additional acreage used for the purpose the legislature intended, then perhaps that's worth investigating. On the other hand, if that growth means—to the legislature—that they are no longer small operators that should be eligible for tax subsidies, that's another matter. It is for you to decide the appropriate threshold after due consideration.

We read the bills and follow the money

But a one-year holding period for a purchaser to exploit the family farm exemption has no relationship to the kinds of taxpayers for which the current exemption was designed. Nor should a passive property owner receive tax subsidies.

The question is whether an owner is actively engaged in a business worthy of exemption, or merely a title holder.

If the answer is the former, then the legislature—this committee—must determine who gets to pay for an increase in the subsidy. Any change should be revenue-neutral. The committee should not pretend that money will magically appear for the benefit of a select group of taxpayers.