

SECTION F - ESTATE TAX

Overview of Oregon's Estate Tax

Estate, Inheritance, Gift, and Generation Skipping taxes are different forms of taxes on the transfer of wealth. An estate tax is imposed when the property transfer is caused by death and is levied on the value of property left by the deceased. Inheritance tax is also imposed after death but levied on the amounts that each relative receives depending on their income and relationships to the deceased. Gift taxes are imposed when the property owner is still living and transfers property to different relatives. Generation Skipping tax can be imposed either at time of death or at time of shift in property rights by gift. Gift and generation skipping taxes are often administered as compliments to estate or inheritance taxes.

The current form of Oregon's estate tax was created by House Bill 2541 (2011) using definitions from 2010 federal estate tax laws. Estates with gross values (total estate value both inside and outside of Oregon) greater than or equal to \$1 million are required to file estate tax returns while estates valued less than \$1 million are not subject to the tax and no return is required. Calculation of Oregon's estate tax is determined by applying the rates listed at the bottom of the page to the Oregon taxable estate value.

Oregon Taxable Estate Value = Federal Taxable Estate (as in effect on 12/31/2010)
 + Federal state deduction
 ± Marital property deduction (if applicable)
 - Any other exclusions or deductions

If the Oregon taxable estate is at least the amount in column 1 below, but less than the amount in column 2, the tax is the amount in column 3, increased by the excess above the amount in column 1 multiplied by the percentage in column 4. For example, the tax imposed on an Oregon taxable estate worth \$5,000,000 would be \$425,000.¹

Estate Tax Table

Column 1	Column 2	Column 3	Column 4
Taxable estate equal to or greater than:	Taxable estate less than:	Tax on amount in column 1:	Tax rate percentage applied to taxable estate value greater than amount in column 1:
\$1,000,000	\$1,500,000	\$0	10.0%
1,500,000	2,500,000	50,000	10.25%
2,500,000	3,500,000	152,500	10.5%
3,500,000	4,500,000	257,500	11.0%
4,500,000	5,500,000	367,500	11.5%
5,500,000	6,500,000	482,500	12.0%
6,500,000	7,500,000	602,500	13.0%
7,500,000	8,500,000	732,500	14.0%
8,500,000	9,500,000	872,500	15.0%
9,500,000		1,022,500	16.0%

¹ Calculated as \$367,500+(\$5,000,000-\$4,500,000) x 11.5%

The Oregon Estate Tax calculation based on the total value of property owned by the decedent anywhere and is scaled by the amount of property in Oregon. For estates with property inside and outside of Oregon, a ratio is applied to apportion the value of the property subject to Oregon's estate tax. The ratio is calculated in two ways depending on whether the decedent was an Oregon resident on the date of death.

Oregon Resident Ratio

$$\frac{OR \text{ Real Property} + OR \text{ Tangible Personal Property} + \text{Intangible Personal Property}^2}{\text{Total Value of Decedent's Gross Estate}}$$

Non Resident Ratio

$$\frac{OR \text{ Real Property} + OR \text{ Tangible Personal Property}}{\text{Total Value of Decedent's Gross Estate}}$$

In calculating the taxable estate value, a number of deductions are available including: funeral expenses, debts, mortgages and liens, bequests and gifts to charities, and bequests to a surviving spouse. Bequests to a surviving spouse act effectively as a deferral of tax as the property for which a marital deduction is allowed must be included in the value of the gross estate when the spouse that received the benefit of the deduction dies.

An optional natural resource credit (NRC) is available for natural resource property (NRP) which includes farm use and forestland use in addition to property used in commercial fishing business operations. The credit is unavailable to estates with a value greater than \$15 million and where the value of the natural resource property in Oregon constitutes less than 50 percent of the value of the estate in Oregon. The natural resource credit is calculated as follows:

$$\text{Tax that would be payable absent the credit} * \frac{\text{lesser of: value of NRP claimed or } \$7.5M}{\text{total adjusted gross estate value}}$$

To qualify for the NRC, the natural resource property must be transferred to a family member, and in five of the previous eight years must have been part of a farm, forestry, or fishing business. The property must also continue to be used in the operation of a farm, forestry, or fishing business in at least five of the following eight calendar years following the decedent's death.

Senate Bill 498 (2023) created a new estate tax exemption for up to \$15 million natural resource property. Natural resource property is defined the same way for the exemption as for the credit, but the eligibility requirements are different. The exemption requires the decedent to have owned the property for at least five years before death, and the decedent or a family member must have participated in a natural resource business using the property for at least 75% of the days for each of five years prior to the decedent's death. The property must be transferred to a family member with a family member participating in the business for 75% of the days in the five years after the decedent's death. There is no limit on the size of estates that can use the exemption. Either the exemption or the credit can be used, but not both.

Estate Tax Data and Discussion

Estate tax laws are generally the same for deaths that occur within a calendar year. So, for instance, decedents that died in 2020 are grouped into "Tax Year" 2020. Tax returns for estates are due 12 months after the decedent's death, leading to data being available after one year, plus some time for processing and refining the tax return data. Data is provided by Oregon's Department of Revenue, Research Section.

² Only includes intangible personal property not subject to tax in another state.

Exhibit F-1 shows the estate tax returns for the most recent tax year with available data, grouped by tax brackets based on the taxable value of the estate. Because the return filing threshold is based on gross estate, many returns have deductions that reduces taxable estate below the threshold, so those estates have no tax payable. The exhibit also displays the percent of returns and tax by each bracket.

EXHIBIT F-1

Tax Year 2022 Estate Tax Returns

Taxable Estate Value	Number of Estates	Num of Returns as % of total	Payable Tax	Tax as a % of total
Less than \$1 million	888	29%	\$ -	0%
\$1m - \$1.5m	1,012	33%	\$ 17,426,667	5%
\$1.5m - \$2.5m	656	21%	\$ 57,759,652	18%
\$2.5m - \$3.5m	237	8%	\$ 42,334,036	13%
\$3.5m - \$4.5m	98	3%	\$ 25,633,754	8%
\$4.5m - \$5.5m	59	2%	\$ 22,674,259	7%
\$5.5m - \$6.5m	36	1%	\$ 15,509,496	5%
\$6.5m - \$7.5m	28	1%	\$ 13,841,493	4%
\$7.5m - \$9.5m	38	1%	\$ 24,880,930	8%
more than \$9.5m	54	2%	\$ 103,889,644	32%
Total	3,106	100%	\$323,949,931	100%

Exhibit F-2 shows the total number of returns and tax for tax years beginning in 2012 when the current Estate Tax structure was implemented. Each year also has information on the Natural Resource Credit used to reduce tax for estates claiming the credit.

EXHIBIT F-2

Estate Tax Returns, by Tax Year				
Tax year	Returns	Payable Tax	Returns Claiming NRC Credit	Natural Resource Credit (NRC) Claimed
2012	1,385	94,219,000	25	4,321,000
2013	1,599	106,597,000	32	3,657,000
2014	1,563	113,024,000	31	3,317,000
2015	1,776	157,579,000	51	5,655,000
2016	1,857	175,417,421	44	6,078,918
2017	2,063	206,658,331	50	5,681,821
2018	2,067	188,136,988	45	5,159,940
2019	2,372	315,769,302	52	6,231,579
2020	2,486	243,283,189	59	7,943,206
2021	3,041	338,614,000	75	13,324,000
2022	3,106	323,949,931	56	9,307,636

Exhibit F-3 breaks down the tax paid by estates within three groups since 2012. The groups are based on taxable estate value. Note that the groups use the tax brackets that are not adjusted for inflation.

EXHIBIT F-3

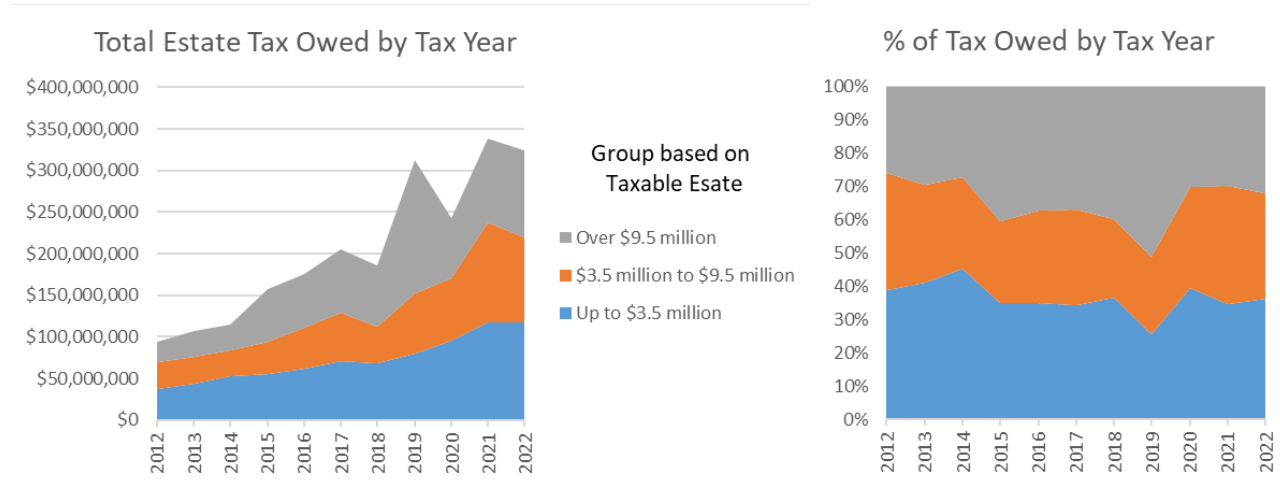


Exhibit F-4 shows the amount of Estate Tax paid since Fiscal Year 2012. Payments are due 12 months after the decedent's death. The grouping based on Oregon's fiscal year is because Oregon's state budget is based on cash receipts within a fiscal year. Fiscal years take the number of the year associated with the end month. For example, the period from July 1, 2020 to June 30, 2021 was Oregon's Fiscal Year 2021.

EXHIBIT F-4

Estate Tax Collections by Fiscal Year (\$millions)		
Fiscal Yr.	Receipts	% Change
2011-12	\$101.8	33.5%
2012-13	\$101.9	0.1%
2013-14	\$85.5	-16.1%
2014-15	\$111.0	29.8%
2015-16	\$126.0	13.5%
2016-17	\$196.9	56.2%
2017-18	\$176.5	-10.4%
2018-19	\$204.7	16.0%
2019-20	\$267.3	30.6%
2020-21	\$256.7	-4.0%
2021-22	\$325.5	26.8%
2022-23	\$297.6	-8.6%
2023-24	\$339.0	13.9%