

February 10, 2025

Testimony from: Brad Dennis, Albany Oregon

SB 124: Adds additional exemption and indexing

Dear Chair Meek, Vice-Chair Meek and committee members:

The staff summary for SB 124 indicates that the exemption amount has been left blank as a placeholder that will be filled in by amendment. I encourage you to fill in this blank with the value of \$7M to match the leading bill in the house, HB 2301.

As you can see below, Oregon has the most punitive estate tax of the few states that tax estates. If this bill passes, Oregon would move from 50th place to 39th place.

Estate Taxes by State, 2024 (Source: TaxFoundation.org)

Punitive Ranking	State	Estate Tax Exemption	Estate Tax Rate
1	Oregon	1,000,000	10.0%-16.0%
2	Rhode Island	1,774,583	0.8% - 16.0%
3	Massachusetts	2,000,000	0.8% - 16.0%
4	Washington	2,193,000	10.0% - 20.0%
5	Minnesota	3,000,000	13.0% - 16.0%
6	Illinois	4,000,000	0.8% - 16.0%
7	District of Columbia	4,715,600	11.2% - 16.0%
8	Maryland	5,000,000	0.8% - 16.0%
9	Vermont	5,000,000	16%
10	Hawaii	5,490,000	10.0% - 20.0%
11	Maine	6,800,000	8.0% - 12.0%
12	New York	6,940,000	3.06% - 16.0%
13	Connecticut	13,610,000	12%

The remaining states do not have an Estate Tax

You may remember my testimony on a similar bill in 2023. I advised people to move to Idaho, Texas, Florida or any of the 37 states that do not tax estates.

While some people may say that the state will lose money if this bill is passed, I offer a different perspective given that people steer away from moving to Oregon, given the estate tax.

1. By having a more favorable Estate Tax structure when compared to Washington State, we will see an influx of residents from that state. They will get a higher exclusion in Oregon on their estate tax: \$7M in Oregon vs. \$2.2M in Washington. A Washington resident could potentially save \$480,000 in estate taxes by moving to Oregon. Oregon would benefit from increased income tax collections on these new residents.
2. Oregonians will feel more inclined to stay in Oregon if SB 124 is passed, and the state will therefore not lose state income tax from these residents.
3. With a large number of Californians needing to rebuild, after the devastating fires in Southern California, some residents may choose to relocate to Oregon. A Californian with a \$10M estate would pay no estate tax if they remained in California. If they moved to Oregon, they would pay estate taxes on \$3M (after the \$7M exclusion). Such an estate would pay \$210,000 in Oregon estate taxes.

Estate taxes received from point #2 and #3 (above) would likely offset the reduction in taxes that the State of Oregon is currently collecting.

The table below shows estate tax collections reported in the 2025 Basic Facts report, published by the Legislative Revenue Office.

<https://www.oregonlegislature.gov/lro/Documents/Basic Facts 2025.pdf>

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%

As is often true, a small number of taxpayers pay a large percentage of the total tax bill. On the other hand, taxes from a large number of small estates make up a relatively small portion of estate taxes.

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. It shows the number of returns increased by a factor of 2.24 from 2012 to 2022. The Payable Tax increased by a factor of 3.44. These dramatic increases can partially be explained by the lack of indexing of the exclusion for inflation, the increase in taxpayer home values and the aging baby boomer population.

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

In FY 2023, per the Basic Facts report, estate tax collections (\$298 Million) were less than 1.5% of the total taxes collected by the State of Oregon. The kicker in 2024 was \$5.61 billion, presumably covering two years. So, the excess taxes collected for 1 year was half of that, or \$2.8 billion. If you completely removed estate taxes from the state revenue, the 1-year kicker would have dropped to \$2.5 billion. My point is that estate taxes are a very small, almost imperceptible, portion of the revenue pie chart.

The question for another time is: **Why is dying in Oregon a taxable event at all?** For now, please pass SB 124 and move Oregon out of the most punitive position of the 13 states that believe state government is due a death tax from a decedent's estate.