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To: The Senate Committee on Finance and Revenue
From: Anthony K. Smith, National Federation of Independent Business
Re: NFIB Written Testimony in Support of SB 124

Chair Meek, Vice-chair McLane, and members of the Committee:

On behalf of Oregon's small business members of the National Federation of Independent Business, I would like to express our support for SB 124, which would establish an additional exemption from Oregon estate tax and adjust the exemption threshold for inflation in the future.

NFIB is the Voice of Small Business. We are a nonprofit, nonpartisan, member-driven organization that advocates on behalf of America's small and independent business owners – both in Washington, D.C. and in all 50 state capitals.

NFIB represents thousands of small businesses across the state in every industry sector, many being the smallest of small businesses, with about 90% of our members in Oregon having fewer than 25 employees and 70% having fewer than 10 employees. Together, our members provide jobs for tens of thousands of Oregonians.

Over the last decade or so, estate tax revenues in Oregon have doubled. Unfortunately, this increase isn't from billionaires moving into Oregon to enjoy their retirement years. Rather, it's because the number of Oregon taxpayers subject to the tax has also nearly doubled, meaning more and more Oregonians are paying the estate tax each year.

This is due to a variety of economic factors, but one of the major drivers is the impact of surging real property values on the overall value of estates. While this is certainly the case for many small business owners, it's also true for Oregonians in general. With median home values in some parts of Oregon at \$500,000 or more, many Oregonians who have spent a lifetime making mortgage payments toward their most valuable asset, are going to find themselves rapidly approaching Oregon's lowest-in-the-nation estate tax exemption threshold of \$1 million.

Now imagine the average small businessperson, who in addition to their home also owns their business, and in many cases, the real property that the business sits on. Therein lies the problem.

NFIB members in Oregon have been clear and consistent over the years that their preference would be to join most other U.S. states and completely eliminate the estate tax. SB 124 takes a different approach, but it's a step in the right direction and hopefully, the beginning of a thoughtful dialogue on the subject of estate taxes.

Currently Oregon's estate tax applies to all estates valued at \$1 million or more. The tax rates range from 10 to 16 percent on the value of the estate that exceeds \$1 million. In contrast, the federal estate tax exemption level is currently 13.99 million (for 2025) and as previously referenced, three-fourths of states do not impose an estate tax at all. No state has an exemption threshold as low as Oregon's at \$1 million. Massachusetts raised its threshold from \$1 million to \$2 million in 2023. (Re: our neighbors, CA, ID, NV – no estate tax. WA = \$2.193 million for 2025.)

The estate tax imposes a counterproductive consequence for small and family-owned businesses that grow the net-worth of the business over time, especially for businesses that are preparing to pass the family business on to the next generation. The threat of this tax forces small business owners to pay for expensive estate planning if they want to keep their business in the family.

Accordingly, much of the cost of having an estate tax on the books actually occurs before the tax itself is imposed. Nationally, just over a third of NFIB members incurred tax planning expenses in the five years leading up to the passage of the Tax Cuts & Jobs Act of 2017, which doubled the federal exemption threshold. That figure has most likely dropped nationwide, especially for small businesses in states without an estate or inheritance tax, but not for NFIB members in Oregon, where we have the lowest exemption threshold in the country.

At its worst the estate tax can tax a family right out of business. For estates comprised mainly of illiquid assets, like land – or a building, coming up with the cash to pay the tax can be a major challenge.

To add insult to injury, it would be a shame if lifelong Oregonians decided to spend their retirement years in neighboring states that have no estate tax – which most certainly has a negative impact on other state revenues and our economy (when people with money to spend, leave the state.)

We need to have a meaningful conversation about estate tax reform in Oregon before we see more and more middle-class families caught up in an estate tax situation they may not be prepared for – and at a time in their lives when family members are grieving the loss of a loved one.

NFIB supports the estate tax modifications proposed in SB 124 – and generally supports efforts to modernize this policy, including, but not limited to:

- Raising the estate tax exemption threshold (as the bill seeks to do)
- Indexing this threshold to inflation going forward (also included in the bill)
- **Eliminating the marriage penalty (provide portability for each individual taxpayer)**

NFIB encourages the committee to support SB 124 and is ready to work with all interested legislators and stakeholders to make our state more hospitable to hard-working Oregonians looking to pass the family business on from generation to generation.

Thank you for your time and consideration,



Anthony K. Smith
NFIB Oregon State Director