

February 11, 2025

Testimony from: Brad Dennis, Albany Oregon

SB 405, SB 648

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

For the record, the current estate tax law in Oregon does not impact me. However, Oregon has the most punitive estate tax of the few states that tax estates. If SB 405 or SB 648 passes, Oregon would move from 50th place to 39th place. An elimination of the estate tax would make us tied for 1st 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

I've read all of the opposition testimony and have observed a theme that many write about. They want an estate tax bill that is revenue neutral. However, these same people do not realize the number of people who have made the decision to avoid Oregon when moving to a new state. The current estate tax seems to align with the thoughts of Gov. Tom McCall when he stated "Come visit, don't stay". Our estate tax policy encourages people to not move to Oregon.

Oregon is not competitive when compared to other states in the western United States. If you were a person with several million dollars in assets, you would be better off moving to Idaho, Washington, California, Nevada or Arizona.

I offer three reasons why making Oregon's estate tax less punitive would not reduce overall tax collections and could actually increase tax revenues by drawing more people to Oregon.

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: For SB 405 and SB 648 a \$13.61M exemption in Oregon vs. \$2.2M in Washington. A Washington resident could potentially save \$1M in estate taxes by moving to Oregon. And then, Oregon would benefit from increased income tax revenue from these new residents.
2. Oregonians will also feel more inclined to stay in Oregon if either of these 2 bills are passed, and the state will then not lose state income tax from these residents.
3. With a large number of Californians needing to rebuild, after the fires in Southern California, some residents may choose to move to Oregon or Washington or Arizona rather than rebuild. A Californian with a large estate would pay no estate tax if they remained in California or moved to Arizona. Some will move to Idaho. With Oregon's current estate tax, many will bypass Oregon in favor of other states. But with a change in the exemption to \$13.61M, Oregon will suddenly be competitive and draw some of these people to Oregon where they will pay income taxes.

The Kicker

According to the "Basic Facts" report, in FY 2023 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 \$5.6 billion, covering two years. Therefore, the kicker 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, while not affecting state agency budgets in any way.

My point is that estate taxes are a very tiny portion of the revenue pie chart. And income taxes will increase to offset reductions in the estate tax collected, making this change revenue neutral.