

April 3, 2025

Testimony from: Brad Dennis

HB 3934:

Chair Nathanson, Vice-Chairs Reschke & Walters and members of the committee:

House Bill 3934, is one of a dozen or so bills on estate taxes that have been introduced this session. Additionally, another 10 or so estate tax bills have been introduced in the Senate.

Many people who have estates that are larger than \$1 million, also have trusts that provide for the ability to separate a couple's estate into two trusts (known as an A/B or Disclaimer trust) after the first person dies, thereby giving a couple a \$2M combined exemption. HB 3934 appears to offer this same ability for people who do not have a trust. So, this is a nice feature for a few people.

But, HB 3934 does not address the fact that the amount of a taxable estate deduction has not changed for many years. It does not address the fact that people leave Oregon to avoid the estate tax. It does not address the fact that people who are moving choose to avoid Oregon. The opponents of estate tax reform always state that if relief is given to one group of people, then someone else has to pick up the tax. This logic ignores the fact that Oregon is already losing tax revenue from those moving out of state or avoiding Oregon altogether.

Several estate tax bills being considered by your committee propose larger exemptions, all the way up to \$13M. I previously spoke in favor of HB 2301. This bill offers compromise in the amount of exemption, set at \$7M.

I urge you to include HB 2301 in HB 3934 as an amendment to truly make HB 3934 complete. My written comments include the testimony I previously offered explaining why HB 2301 should be adopted. I won't repeat these comments here, knowing that you will read my written testimony for HB 3934.

As you can see below, Oregon has the most punitive estate tax of the few states that tax estates.

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

| <b>Punitive Ranking</b> | <b>State</b>         | <b>Estate Tax Exemption</b> | <b>Estate Tax Rate</b> |
|-------------------------|----------------------|-----------------------------|------------------------|
| 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**

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You may remember my testimony on an estate tax bill in 2023 and earlier this session. I advised people to move to Idaho, Nevada, Montana, Texas, Florida or any of the 38 states that do not tax estates.

HB 2301 raises the exemption to \$7M and then applies a flat tax of 7% on the balance of the estate. While some people may say that the state will lose money if this bill is passed, I offer a different perspective.

1. Oregonians will feel more inclined to stay in Oregon if HB 2301 is passed, and the state will therefore not lose state income tax from these residents.
2. By having a more favorable Estate Tax structure when compared to Washington State, we should expect to 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.

3. With a large number of Californians needing to rebuild, after the 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%                 |
| <b>Total</b>          | <b>3,106</b>      | <b>100%</b>                  | <b>\$323,949,931</b> | <b>100%</b>         |

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

| <b>Estate Tax Returns, by Tax Year</b> |         |             |                                      |  |
|--|---------|-------------|--------------------------------------|--|
|  |         |             | Returns<br>Claiming<br>NRC<br>Credit | Natural<br>Resource<br>Credit (NRC)<br>Claimed |
| Tax year                               | Returns | Payable Tax |                                      |  |
| 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 HB 3934 with 2301 and move Oregon out of the most punitive position of the 12 states that believe state government is due a death tax from a decedent's estate.