



SB 485 – An estate tax bill that should be improved

House Revenue Committee – Jody Wiser – 6.4.2025

SB 485 is a bill clarifying what paperwork would be needed to show “material participation” for a small woodland’s owner under SB 498, the estate tax exemption passed in 2023.

We are told that forestland owners are uncomfortable with the requirement for material participation since managing forestland is so different from managing farmland.

There are three significant issues that should be addressed with changes to this bill.

- 1) Remove the sentence in the 2023 law that requires material participation “during at least 75 percent of each of the five calendar years...” If that’s the problem, why not remove the 75%? Material participation is clearly defined in federal law for all sorts of businesses, but not with this 75% language. The rationale for that language was never explained in public that I heard. But would it not allow leasing out one’s farmland for a summer crop and letting it lie fallow the rest of the year? This solution needs to be explored. Obviously, one doesn’t lease out forestland for a few months a year. Removing this would resolve the issue the small woodland owners bring to you today, as material participation is well defined for all kinds of businesses, including forests, in the federal law.
- 2) Add the \$15 million cap on the total estate size to the natural resource exemption added in 2023. We have two different natural resource provisions, The cap on the estate size is in one and should be in both. Representative Mannix, the sponsor of the 2023 bill said at a recent hearing that its omission was an oversight. Without a cap on the entire estate, the uber rich will be able to pass \$15 million per parent to their children tax free if they own farm or forestland, including the home on that property, if the decedent or an employee lives in the home. The purpose of these provisions is not to help NY investors, but to protect small farm natural resource businesses. It’s easy to imagine the intentional as well as unintentional abuses. My neighbor, who once owned several grocery stores, and still owns those commercial properties and a good number of others and has a robust equity account, also happens to own a ranch in eastern Oregon. He and his wife do not need a break on their estate taxes to “preserve that family ranch.” Yet, without a cap on the size of the estate, they will get one.

- 3) Increase the requirement for forestland size. It should be much more than ten acres in the current law. One can operate a farm business with 10 acres, with truck farming, berries or flowers. But not a forestland business. Those who own 10 acres or even 50 acres of forestland – usually with a home on it – don't own it for commercial purposes. Some owners might eventually harvest some or all of the wood, but they won't make money from the wood production. They may make money when they sell to the next owner who wants to live in a rural, forested setting.

I don't know a lot about forestland economics, so I don't know what the ownership size in the bill should be. I do know that no one can make money owning forestland as a business with 10 or even 80 acres. One might work in the forestland, removing blackberries, thinning trees, enjoying hikes, etc., but it's a hobby and a rural property, not a business. The whole idea for the natural resource provisions in our estate tax law credit is to protect the family "business" not the family property.

There are people to ask what is the size of an economically viable forestry property - at our forestry department and our universities. Ask them.

My colleague Josie and her husband are owners of 80 forested acres where they live. Should their home and acreage pass to their children tax free because they wanted a country home with barn and pond, and land to enjoy and take care of? They do not expect that such a small amount of timber, even if it were all harvested at once, would actually provide any kind of significant net income.

What's the difference between a horse ranch, a forested home and a beach front property? At 10 acres, only the scenery.

I hope, as you consider SB 485, you will ask what you can do to it that will make a meaningful improvement on the 2023 bill. The changes I suggest would be significant improvements. Otherwise let this bill die and let an informal workgroup that includes more than natural resource property owners address the many issues with SB 498.

Thank you for your consideration of these ideas.

We read the bills and follow the money