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March 2, 2026

To: The House Committee on Revenue
From: Anthony K. Smith, National Federation of Independent Business
Re: NFIB Written Testimony in Opposition to SB 1511A

Chair Nathanson, Vice-chairs Reschke & Walters, 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 concerns with SB 1511A, which makes significant changes to Oregon's estate tax.

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. While there may be a difference of opinion about whether that is a good thing or a bad thing, there is no disputing the fact that the legislature has become more and more dependent on this source of revenue. This is especially concerning considering this is a revenue source most other states have eliminated. In fact, three-fourths of states do not impose an estate tax at all, which makes Oregon an outlier and out-of-step with the majority of states.

The estate tax imposes a negative financial consequence for small and family-owned businesses when they grow the net-worth of their businesses 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.

NFIB appreciates the bill's focus on effectively eliminating estate tax liability for estates valued at \$2.5 million or less. And although NFIB members would prefer the complete repeal of Oregon's estate tax, raising the exemption threshold is something we would support as a standalone policy in the short-term as a way to relieve Oregon taxpayers of this burden while also reducing the state's reliance on a source of revenue that should be eliminated if we want to increase Oregon's ability to attract wealth and investment.

But the A-engrossed version of the bill doesn't just raise the exemption threshold, it also raises tax rates and keeps the state dependent on this revenue source. And it's specifically the increased tax rates that raise the question of whether this is a bill for raising revenue, which if it is, it would need to originate in the Oregon House of Representatives and must pass in both chambers with a three-fifths supermajority. (*Article IV of the Oregon Constitution*)

Clearly, the bill raises tax rates, which satisfies Part 2 of the two-part test Legislative Counsel uses for determining whether a bill raises revenue, so the real issue is whether it passes Part 1 of the test, that is, does the bill bring money into the Treasury? Some may say that if the aim of the bill is revenue neutrality, the bill does not bring money into the Treasury.

However, this is what the courts have said on that subject. In his decision in the case *Boquist v. Department of Revenue*, Judge Robert Manicke states:

"...a single bill that imposes a new kind of tax, while abolishing an existing one, might 'raise' revenue, even if the amount collected by the new tax is projected to be less than the amount that would have been collected by the tax being repealed. In other words, bills that provide for an overall increase in revenue appear to be a subset of bills that 'raise' revenue in the sense of bringing it into the treasury. It seems likely that this subset would readily satisfy the first test in the court's analytical framework, but other bills that do not provide for an overall increase in revenue might as well."

NFIB urges legislators to err on the side of caution given the tax court's clear signal here that revenue neutrality does not, by itself, guarantee that a bill in the Oregon legislature need only pass with a simple majority.

Again, NFIB is in agreement that we absolutely need to have a meaningful conversation about estate tax reform in Oregon before we see more and more small businesses and middle-class families caught up in an estate tax situation they may not be prepared for, but the proposal before us today is not one we can support.

For these reasons NFIB respectfully asks you to oppose SB 1511A.

Thank you for your time and consideration,



Anthony K. Smith
NFIB Oregon State Director