

Warren C. Deras

March 2, 2026

House Committee on Revenue
Oregon House of Representatives

Subject: Senate Bill 1511 A-Engrossed

Dear Chair Nathanson and Members of the Committee:

I practiced law in Portland for 40 years, primarily doing estate planning and probate work for middle-income families. I prepared Oregon and federal estate or inheritance tax returns as needed, but my clients seldom needed that extra service. My experience was that there was always significant extra cost associated with preparing those returns, and anything this committee can do to eliminate the need to incur that cost will be appreciated by those affected. I note from the LRO report, page 11, that over 80% of the Oregon estate tax returns are filed for taxable estates of \$2.5 million or less, so an increase in the exemption to that amount would be helpful. (Of course the filing obligation is based on the gross estate, not the taxable estate. Some taxpayers with large mortgages on expensive real property will still have to file, but not owe a tax.)

For what it's worth, I don't expect my estate will owe an Oregon Estate Tax return. To repeat the old phrase, I don't have a dog in this fight. Early in my career I wrote tax legislation, and I long ago accepted the old saying that taxes are the price of civilization. I never joined in the anti-tax movements that swept across Oregon. This letter is not written from that perspective.

I have been retired for 15 years, but I am still active in the Estate Planning and Administration Section of the Oregon State Bar, primarily because of my past work in writing Oregon statutes relating to probate. I hear and see a lot of concern from other Section members about this bill, frequently from members who are struggling to understand it. There are certainly aspects of this bill that I consider unusual. However, the descriptions I see and hear for my idea of "unusual" are "gobbldeygook", "obtuse", "confusing" and the like. These concerns center around the calculation of the tax for estates the size of which is defined as federal taxable estates between \$2.5 million (the new proposed Oregon exemption amount) and \$3 million.

It is no doubt unusual to have a proposed tax in which the highest nominal rate (for Oregon taxable estates above \$8.5 million) is 19.9%, but the effective marginal rate for the first \$500,000 above the \$2.5 million exemption is 52.25%. My calculations and every calculation by others I have seen (including LRO) agree that the proposed tax on that \$500,000 is \$261,250, or 52.25% of the taxable estate, even though the rate on the next \$500,000 from \$3 million to \$3.5 million is only 13.5%.

We can all agree that unusual is not necessarily bad. Sometimes it is innovative and really great. However, in this context I believe this unusual tax structure is really bad. Not only is it hard to understand, but when you have an estate of about \$3 million or a bit above that it tends to focus your attention and make you think about ways you can (lawfully) avoid the tax.

— Like move away from Oregon when you retire and the tax looks a lot closer.

- Like take advantage of the lack of an Oregon gift tax and make large deathbed gifts, even if that means you or your heirs incur some income taxes at a much lower rate on capital gains — most of which will go to the federal government and not to Oregon.

So I would urge this committee to change the bill by making the taxation of that first \$500,000 over the exemption amount more conventional with a rate equal to or below the rate on the next \$500,000.

I understand there is a need for this bill to be revenue neutral. Changing the rate on the first taxable \$500,000 would certainly affect that and require further changes, either in the exemption amount or the rate structure. I expect that would follow from adopting my proposal. However, I think tax structure should be conventional, because I think it important that taxpayers be able to understand the taxes they pay. When good lawyers I know struggle to understand this bill, I don't think that is a good sign the taxpayers will be able to understand it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Wanda". The signature is written in a cursive, flowing style with a large loop at the end.