

**A-Engrossed
House Bill 3479**

Ordered by the House May 4
Including House Amendments dated May 4

Sponsored by Representatives BOONE, KRIEGER, CLEM, P SMITH, SCHAUFLEER, MORGAN, Senator JOHNSON;
Representatives BARKER, BERGER, BOQUIST, BUTLER, CAMERON, COWAN, GARRARD, HUNT,
MAURER, MINNIS, OLSON, WHISNANT, WITT, Senator WESTLUND

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Excludes natural resource property and property used in commercial fishing operations from value of gross estate of decedent for Oregon inheritance tax purposes. Limits amount of exclusion. **Directs Department of Revenue, for each calendar year beginning on or after January 1, 2009, to recompute maximum excluded value.**

Applies to decedents who die on or after January 1, [2008] **2007**.

A BILL FOR AN ACT

1
2 Relating to inheritance tax exclusions.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Section 2 of this 2007 Act is added to and made a part of ORS 118.005 to**
5 **118.840.**

6 **SECTION 2. (1) As used in this section, "natural resource property" means real property,**
7 **as defined in ORS 307.010, lawfully qualified, at the decedent's death, for designation as:**

8 (a) **Farm use, as defined in ORS 308A.056, or as one or more farm use homesites, as de-**
9 **defined in ORS 308A.250, related to that real property; or**

10 (b) **Forestland, as defined in ORS 321.201, or as one or more forestland homesites, as**
11 **defined in ORS 308A.250, related to that real property, not to exceed 5,000 acres.**

12 (2) **For purposes of computing the tax imposed under ORS 118.010, the gross estate of a**
13 **decedent may not include the value of:**

14 (a) **Natural resource property, to the extent the value of natural resource property does**
15 **not exceed \$7.5 million; or**

16 (b) **Property used in commercial fishing operations and any property used in processing**
17 **or marketing of the product of those commercial fishing operations, to the extent the value**
18 **of the property described in this paragraph does not exceed \$7.5 million.**

19 (3) **Subsection (2) of this section applies only if the property that is excluded from the**
20 **value of the gross estate under subsection (2) of this section is transferred to:**

21 (a) **The spouse of the decedent;**

22 (b) **A natural or adopted child of the decedent;**

23 (c) **A natural or adopted grandchild of the decedent;**

24 (d) **A natural or adopted brother or sister of the decedent; or**

25 (e) **A natural or adopted niece or nephew of the decedent.**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 (4)(a) For each calendar year beginning on or after January 1, 2009, the Department of
2 Revenue shall recompute the maximum excluded value of the gross estate provided for in
3 subsection (2) of this section by the change in the cost of living, if any. The computation
4 shall be as follows:

5 (A) Divide the average U.S. City Average Consumer Price Index for the 12 consecutive
6 months ending January 1 of the calendar year prior to the calculation by the average U.S.
7 City Average Consumer Price Index for the calendar year 2007.

8 (B) Multiply \$7.5 million by the indexing factor determined as provided in subparagraph
9 (A) of this paragraph.

10 (b) As used in this subsection, "U.S. City Average Consumer Price Index" means the U.S.
11 City Average Consumer Price Index for All Urban Consumers (All Items) as published by the
12 Bureau of Labor Statistics of the United States Department of Labor.

13 (c) If any change in the maximum excluded value of the gross estate determined under
14 paragraph (a) of this subsection is not a multiple of \$500, the change shall be rounded to the
15 nearest \$500.

16 (5)(a) If property initially excluded from the value of a gross estate as natural resource
17 property under this section is not then used as natural resource property for at least five
18 out of the eight calendar years following the decedent's death or is disposed of by the
19 transferee other than by disposition to another family member who is eligible for the exclu-
20 sion allowed under this section, an additional tax under ORS 118.005 to 118.840 shall be im-
21 posed.

22 (b) The additional tax liability shall be an amount that is no greater than the amount of
23 additional taxes that would have been due had the property been included in the gross estate,
24 but at least the amount of such additional taxes multiplied by ((five minus the number of
25 years the property was used as natural resource property) divided by five). The additional tax
26 liability shall be apportioned to the estate for any time period prior to transfer and appor-
27 tioned to the transferee for any time period thereafter.

28 (c) Prior to the transfer of property treated as natural resource property under this
29 section, the executor or the decedent shall notify the transferee of the potential for tax
30 consequences to the transferee if the transferee fails to meet the conditions of paragraph (a)
31 of this subsection. The transferee's written acknowledgment of this notice shall be attached
32 to the inheritance tax return.

33 (6) The Department of Revenue shall adopt rules consistent with those adopted under
34 section 2032A of the Internal Revenue Code, as that section was amended and in effect on
35 December 31, 2006, to administer this section.

36 SECTION 3. Section 2 of this 2007 Act applies only to decedents who die on or after
37 January 1, 2007.

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