# REVENUE IMPACT OF PROPOSED LEGISLATION

**74th Oregon Legislative Assembly**
**2008 Special Session**
**Legislative Revenue Office**

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| **Bill Number:** | **HB 3618 - A** |
| **Area:** | Estate Taxes |
| **Economist:** | **Mazen Malik** |
| **Date:** | Feb-13-2008 |

## Measure Description:

Allows for the natural resource and commercial fishing properties to claim credits when filing for estate taxes. The credit schedule is highest at seven and a half million and lowest at fifteen million. It requires material participation, holding of the property in the same classification for five out of the following eight years, and requires that the natural resource property comprise at least fifty percent of the total estate value. Defines other eligibility and legal requirements and establishes a maximum limit of $15 million for eligible property.

## Revenue Impact:

The average annual impact is estimated at $0.27 million a year.

| $Millions | 2007-08 | 2008-09 | 2007-09 Biennium | 2009-11 Biennium |
|---|---|---|---|---|
| **State General Fund** | | **-0.03** | **-0.03** | **-0.28** |

## Impact Explanation:

The 2007 session passed HB 3201with a number of tax issues. Section 68 of that bill included changes in the estate tax provisions.  The main issue that section 68 (previously HB 3479) attempted to accomplish, was to increase the exemption of farm, forest and commercial fishing estates to $7.5 million.  The bill directed the Department of Revenue (DOR) to establish rules to guide the implementation of the new provisions. However, several issues arose as unforeseen consequences of the new law as it interacts with the federal tax code and to the different previsions of the estate tax. There was a need for inclusion of more refined definitions in order to make the implementation of current law possible. The Original impact of HB 3201 of 2007 estimated the revenue reduction at $1 million a biennium. This amount of reduction in revenue is already reflected in the state revenue forecast. However, the allowance for credit above the $7.5 million graduating down to zero at the $15 million level increases the reductions by an annual average of $0.27 million. The implementation however, is expected to transition to full cost over a number of years. That is due to the nature of filing for this tax and the 10 months extension immediately allowed under the law.  Accordingly, the full impact of $0.54 million will not reach its full amount until the 2011-13 biennium.

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