

**75TH OREGON LEGISLATIVE ASSEMBLY  
STAFF MEASURE SUMMARY  
HOUSE REVENUE COMMITTEE**

**MEASURE: HB 2741 A  
CARRIER:**

**REVENUE: Yes - Revenue Impact Issued**

**FISCAL: Yes - Fiscal Impact Issued**

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**Action:** Without Recommendation as to Passage, be Printed Engrossed and be Referred to Ways and Means by Prior Reference

**Vote:** 10-0-0

**Yeas:** Bailey, Bentz, Berger, Bruun, Gelser, Kahl, Read, Riley, Sprenger, Barnhart

**Nays:** 0

**Exc.:** 0

**Prepared By:** **Mazen Malik**, Economist

**Meeting Dates:** 03/11, 6/2

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**WHAT THE BILL DOES:** Establishes Next Generation Fund. Directs inheritance tax revenues to Next Generation Fund. Appropriates moneys to Oregon Student Assistance Commission to fund Oregon Opportunity Grant program and to Department of Education to fund Oregon "early childhood education programs". Applies to revenues received after January 1, 2011. Takes effect on 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

- General fund and kicker impacts.
- Less volatility.
- Nexus with the next generation fund.

**EFFECT OF COMMITTEE AMENDMENTS:** Removes the indexing adjustments and sends 50% to early childhood education programs.

**BACKGROUND:**

From legislation in 2003, Oregon is connected to federal tax law known as "Taxpayer Relief Act of 1997". Oregon has not adopted the 2001 federal law changes included in the Economic Growth and Tax Reconciliation Act.

Prior to the 2003 Oregon legislation, legal opinions indicated that Oregon had not adopted either the Taxpayer Relief Act (TRA97) or the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in 2001. The primary purpose of HB 3072 was to codify in law the connection to the Taxpayer Relief Act of 1997 (TRA97) for prior tax years 1998-2001. For deaths occurring in 2002, the gross estate value filing threshold was \$1 million, the same as the federal filing threshold under EGTRRA. Another important objective of the 2003 legislation was to clarify that Oregon's estate tax connection is to the federal law under the Taxpayer Relief Act of 1997 for deaths occurring in 2003 and beyond. Oregon is not connected to 2001 federal estate tax law changes contained in the Economic Growth and Tax Relief Reconciliation Act. The 2007 session attempted to preserve family owned farms, fishing business and small forest owners, by increasing the threshold for these estates to \$7.5 million. However, HB 3201 faced difficulties in the implementation phase. The February 2008 session, introduced a credit schedule for the small family owned natural resource properties. The credit increases proportionally in HB 3618 to reach the maximum at tax amount due for the \$7.5 million properties, then declines gradually to \$0 at the \$15 million mark.

Revenue resulting from this tax will stop going to the general fund and be directed to the Next Generation Fund. The fund is distributed in two halves. The first goes to Oregon student assistance commission for the Oregon Opportunity grant program. The second 50% is dedicated to Early childhood education programs.

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