

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
75th Oregon Legislative Assembly
2009 Regular Session
Legislative Revenue Office

Bill Number:	HB 3305
Revenue Area:	Estate Tax
Economist:	Mazen Malik
Date:	4/15/09

Measure Description:

For purposes of natural resource property or commercial fishing property inheritance tax credit, allows credit equal to tax otherwise due for eligible property with value less than \$7.5 million and phases out credit for property with value up to \$15 million. Defines terms related to working capital. Provides for exemption from taxation if property is sold and proceeds used to pay tax. Adjusts limit of value of property eligible for credit and credit amounts for inflation. Provides that certain federal elections are not binding on Oregon estates. Applies to estates of decedents who die on or after effective date of Act.

Revenue Impact:

The changes in law that this measure attempts will have an impact on existing revenue. These impacts will have to be further estimated as this bill is referred to the revenue committee by a prior reference.

Impact Explanation:

Legislation in 2003 connected Oregon to federal tax law known as "Taxpayer Relief Act of 1997". At the same time, Oregon did not adopt the 2001 federal law changes included in the Economic Growth and Tax Reconciliation Act. 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 however, is not connected to the 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. The qualified property is also defined with a set of conditions to tailor the benefit to the intended type of family business.

Creates, Extends, or Expands Tax Expenditure: Yes No