

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Sixth Oregon Legislative
Assembly, 2011 Regular Session
Legislative Revenue Office**

**Bill Number: HB 2541 - A
Revenue Area: Estate/Inheritance Tax
Economist: M. Malik/P. Warner
Date: 05/04/2011**

Measure Description:

Replaces inheritance tax imposed on basis of former federal credit for state death tax with estate tax imposed as percentage of Oregon estate. Provides deduction of \$1.5 million for all estates, and establishes schedule of rates for values above the deduction. Updates connection to federal Internal Revenue Code. Clarifies provisions relating to elections made for state inheritance tax purposes. Defines terms for natural resource property and business. Replaces tax credit for natural resource property with formula and modifies related provisions.

Revenue Impact (in \$Millions): The overall revenue impact of the bill is expected to be -\$0.7 million per biennium. The major portions of the bill which restructure the estate tax are expected to be revenue neutral over time with higher rates offsetting the lost revenue from establishing the \$1.5 million deduction. The net -\$0.7 million impact results from changes to the natural resource credit.

Impact Explanation:

The estimated impact of the overall rewrite of the estate tax structure recommended by the Oregon Law Commission is based on state estate tax data for the 2002-2009 period. Based on returns from this period, the higher rates built into the bill neutralize the revenue loss associated with the \$1.5 deduction that replaces the current \$1 million filing threshold, leaving no net expected revenue impact from this portion of the bill. This result is based on the assumption that the average distribution of estates over the past 8 years continue into the near future.

Changing the calculation of the natural resource credit from the current table to a formula is expected to result in a net revenue loss averaging \$330,000 per year over time.

Creates, Extends, or Expands Tax Expenditure: Yes No

The bill results in an expansion of the current natural resource credit. The policy purpose of the natural resource credit is to allow for natural resource business to pass to the next generation without being pressured to sell the property for the purpose of paying state taxes. The policy was initiated by the 2007 legislature and fine tuned in succeeding sessions. Under current law the credit reaches \$1.5 million a year on average, the proposed expansion is expected to result in the credit reaching \$1.83 million per year.