

House Committee On Revenue

**Fiscal:** Has minimal fiscal impact  
**Revenue:** Has minimal revenue impact

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**Action Date:** 05/20/15

**Action:** Do Pass.

**Meeting Dates:** 05/20

**Vote:**

Yeas: 9 - Barnhart, Bentz, Davis, Johnson, Lininger, Read, Smith Warner, Vega Pederson, Whitsett

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**WHAT THE MEASURE DOES:**

Clarifies the definition of real property to include in-state property for the purpose of finding the ratio of natural resource property to in-state property value when computing and considering the natural resource credit against the estate tax. Applies to tax years 2015 and beyond.

**ISSUES DISCUSSED:**

- The history behind the natural resource credits.
- Preservation of farm, forest and fishing for Oregon family owned businesses.
- The in-state and out of state properties.

**EFFECT OF COMMITTEE AMENDMENT:**

No amendment.

**BACKGROUND:**

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.

The 2011 legislative session approved (HB 2541) a major revamp of the estate tax. Oregon confirmed the tax to be an estate tax, and constructed a standalone system that only uses federal definitions. Oregon now uses the definitions from the most recent federal tax code and adds some of its own while the new standalone rate schedule (ORS 118) builds a smooth ramp up in rates, which avoid the bubble up in marginal rates caused by increasing the threshold while using the old (federal) pickup schedule that existed for much lower thresholds. The law established a gradually increasing tax rate schedule for estates starting from \$1 million value at tax rate 10%, to a marginal rate

of 16% at values higher than \$9.5 million. The new rate table was to insure revenue neutrality relative to the previous rates which were based on 2000 Federal law. The credit also Defines and allows for an operating allowance (15% or \$1 million) for natural resource property, ensuring that farm, forest and fishing businesses are taxed properly on true assets.