

February 12, 2019

Oregon Senate Finance and Revenue Committee  
Oregon State Capitol  
900 Court St. NE  
Salem, OR 97301

Dear Chair Hass and Members of the Committee;

Chair Hass and Members of the Senate Finance and Revenue Committee, I thank you for holding a hearing this afternoon on Oregon's Estate Tax, including Senate Bill 188. I am very concerned that if we do not reform Oregon's estate tax we will continue to lose our residents and both the income taxes they pay and the non-profit work they do in our communities. These individuals have been and will continue to leave the state to avoid this onerous tax.

I am a native Oregonian and co-founder of People's Bank of Commerce, a community bank located in Southern Oregon with branches in Klamath, Josephine, and Jackson Counties. Our bank is a full-service community bank focusing on serving the small businesses in our communities.

The estate tax issue is a very important issue to our clients as most are small business owners who, through hard work and conservative spending habits over many years, have been able to create personal net worth's exceeding Oregon's \$1,000,000 estate threshold. The issue has recently become even more problematic as more of our baby boomer generation prepares for retirement. These are the very people who will be impacted by this estate tax.

For my bank to continue to grow and meet the needs of our communities I need to have access to local deposits to fund loan growth. Unfortunately, we are losing deposits from our largest depositors who, as they ready for retirement, move their primary residence out of Oregon to more tax friendly states. For our Southern Oregon community, these states are Arizona, Nevada, and even Texas. A significant amount of these retirees will still have a second home in Oregon, but for residence purposes will not be Oregonians. These retirees have all received professional tax advice, which they follow, to prepare for retirement. Unfortunately for my bank, this often includes moving their primary banking relationship out of state as well.

I have had two recent examples of this issue that I would like to share with you. The first example deals with the owner of a local financing company with a 36 year history in our market. The primary owner, recently celebrating his 82<sup>nd</sup> birthday, determined that for the sake of his 35 employees, he needed to find a compatible purchaser that would maintain the

business's primary functions in Southern Oregon. I am very familiar with this transaction as my bank became the purchaser of this business. The transaction was structured to allow the seller to set-up residency in Nevada, costing my bank many millions in deposits. We were able to retain the 35 jobs in our community but lost a great asset and many deposits, while the state lost income tax revenue.

My second example is even more extreme. A very successful software designer with a nationwide footprint, recently sold his business to an out of state company. This owner, still in his early 60's, was extremely worried about Oregon's estate tax. Because of this worry and based on the advice of this CPA this customer also moved his primary residence to Nevada, again taking many income tax dollars out of Oregon and tens of millions in deposits out of my bank. There are many more examples of the same behavior caused by Oregon's estate tax. Unfortunately, there will be many, many more as our baby boomers reach retirement age.

Please remember that a retiree usually has only two primary issues, other than health, that they worry about. The first is having enough money to carry them through to life's end, and second, to leave their family an inheritance. Paying an additional estate tax on money they have already been taxed on is unacceptable to many.

As a state, we seem to have forgotten that the very people subject to this onerous tax are the most capable of solving the problem by moving to areas with more favorable estate taxes, or no estate tax at all. Again, I ask you to help us retain these very influential and financially successful community supporters within our state. Southern Oregon and my community bank need them.

As represented by the bills before you today, a variety of proposals exist that would mitigate the negative impact of the estate tax. From abolishing the estate tax altogether or reducing rates, to increasing the exemption amount or exempting certain businesses altogether, a discussion needs to take place on reforming Oregon's Estate Tax and ensuring that it does not create incentives for more Oregon individuals and businesses to leave the state.

On behalf of my bank and our community, I stand ready to engage with the legislature in addressing this important issue. Thank you for the opportunity to work to find solutions to this growing problem.

Sincerely,



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