



## **SB 188: We OPPOSE the \$500,000 Home Value Exemption from Oregon's Estate Tax**

Testimony for Senate Finance and Revenue – 2.13.2018

**Brief History of the Estate Tax.** There has been some form of an estate tax/inheritance tax in America since the 1797 Stamp Act, and has been in place off and on to finance various wars up through the Spanish American War of 1898. In 1916, besides raising revenue for wars, “the debate over taxing transfers upon death shifted toward the use of the estate tax or “inheritance tax” (as it was popularly called) to narrow the widening gap between rich and poor...Linked to the idea of wealth redistribution, these taxes continue to be imposed until the present day.” ([Mike Einheuser's Understand-Estate-Planning.com website.](#))

At the federal level, the estate tax has all but disappeared, because the exemption level was raised to \$11.14 million, which means only 0.2% of all estates are required to pay the tax.

**Why do we still need the estate tax?** The wealth disparity has not gone away, but has now surpassed the inequalities of the Gilded Age. The estate tax is one of the few tools we have to return a small portion of accumulated wealth back to the public institutions that enabled the creation of that wealth. It also ensures that inherited dynastic wealth is not passed along in perpetuity to heirs, as it was under the feudal system. The foundation of a republic is the concept of *equal opportunity for all*.

**Oregon should be proud to be one of the few states that retains a healthy estate tax system to address these economic disparities between the rich and poor.** Oregon has fair, low progressive estate tax rate ranging from 10%-16%. It also has the Natural Resource Credit (NRC) in place, that greatly reduces the tax to help cash-poor heirs avoid having to sell off the assets of a working farm, timber plantation or commercial fishing business, among other estate planning tools: insurance policies, annuities, and irrevocable trusts.

**SB188** would remove up to \$500,000 of primary residence home value from the estate tax filing threshold, effectively increasing the tax exemption from \$1 M to \$1.5 M, but only for those families whose decedents were able to stay in their homes until they died. Others who had rented their homes or were living off apart from their estate lands would not benefit from this tax benefit. This is an unfair advantage for wealthier owners who are able to stay in their own homes.

Collections from the estate tax is not an insignificant boost to the General Fund. According to the LRO Research, **2018 Basic Facts Report #1-18**, collections from the 2016-2016 Estate Transfer Tax were \$196,855,685 in 2017 from estates owned by Oregonians or people who lived out state. This \$400 million per biennium are just about the same revenue as raised by the cigarette tax.

**What is wealthy?** Some of the few who must pay Oregon's estate tax, argue that they are not wealthy and should be entitled to pass along to their heirs everything they have worked hard for. But according to a 2017 report by the investor research firm Spectrem Group “**only about 10% of Americans are worth \$1 million or more**, and the net worth of the average U.S. household is **\$80,000** according to the most recent data collected by the U.S. Census Bureau” (2016 report). That's not even close to a million in net worth!

When there is such need at the lower end of the wealth spectrum, and with \$2 billion needed this biennium just for public education, why would we provide a tax benefit to those in the top 10%? **Making these changes will decrease the equity and adequacy of Oregon's tax system and further destabilize our revenue stream.**