



SB 674 and SB 319:

We Oppose the Elimination of the Estate Transfer Tax

Testimony for Senate Finance and Revenue – 2.13.2019

Since 1916, the federal estate tax has reduced the disparity between the rich and poor. Presidents Theodore Roosevelt and Woodrow Wilson favored the inheritance tax on wealthy Americans, and Congress reinstated the estate tax and the gift tax to curb wealth. However, federal exemptions have reduced the tax's application to 0.2% of taxpayers.

Wealth disparity now surpasses the inequalities of the Gilded Age. And yet the estate transfer tax is one of the few tools we have to return a small portion of accumulated wealth to the government-funded public institutions that provide the opportunities that reduce social inequity. Polls indicate that a large majority of Americans support higher taxes on the wealthiest households and companies. Yet the Oregon legislature is considering eliminating a tax on the top 3.6% in Oregon.

Why is there a push to eliminate the Oregon estate transfer tax? Is it *unfair*?

“Death shouldn’t be a taxable event.” The dead don’t pay taxes; their heirs, who did nothing to create the wealth, do.

“The wealth was taxed when it was earned; it shouldn’t be taxed again.” However, much of the wealth in estates liable for the estate tax was never subject to tax. Estates include “inside buildup” – the final value less all investments – that was never taxed. Like a house sold for multiples of its initial cost, plus investments less depreciation, the owner has a profit that has never been subject to tax. The estate tax captures a portion of that profit.

“It’s unfair that a hard-working person who has paid income taxes every year, made investments and saved for their children, should have to pay the (state) government when he dies.” But the dead don’t pay taxes, heirs do. Actually, the estate pays for costs like selling real property, settling accounts, lawyers and final year’s income taxes and then the estate pays taxes on the remaining value, if that value is more than \$1 million per decedent, so \$2 million for a couple which passes tax free. For higher value estates, the tax is a progressive 10-16% rate.

“Without the incentive to save, no one will work hard” There is no evidence that people work less hard when taxes are higher. But there is evidence that people are willing to be paid less when taxes are higher.

“It’s my money; I earned it. I should be able to do whatever I want with it.” Many people are interested in and love their work and work hard despite the fact that they earn little for it: scientists, educators, nurses, etc. Many people are volunteers who are paid nothing but work very hard for years without any financial reward. Most people who work hard like to accomplish things and enjoy the work itself, while others find ways to make big money without working for it at all.

Don’t eliminate the estate tax. Why eliminate the modest estate transfer tax that brings in \$200 million a year to the General Fund? The state should focus its concerns to find ways to increase opportunity, not provide more breaks for those in the top 3.6%.

We read the bills and follow the money