



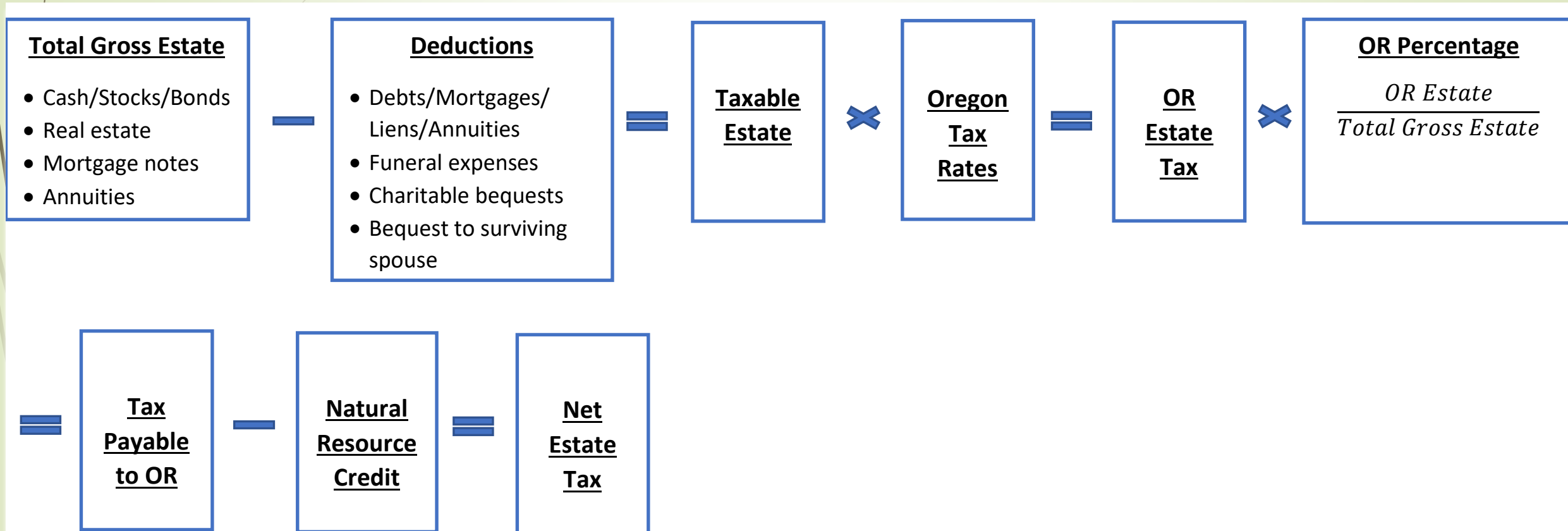
Estate Taxes

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Senate Committee on Finance & Revenue

LRO | 2/13/2019

OR Estate Tax Flow Chart



Recent Oregon Inheritance/Estate Tax History

- ▶ Beginning January 1, 1987: Oregon's inheritance tax was equal to the maximum allowable federal estate tax credit (AKA the "pick-up tax")
- ▶ Federal Changes
 - ▶ 2001 Economic Growth & Tax Relief Reconciliation Act (EGTRRA)
 - ▶ Phased-out state tax credit, eliminated state's ability to capture portion of each estate's federal tax liability beginning in 2005
 - ▶ Increased gross estate filing threshold | Decreased highest federal estate tax rates | Eliminated estate tax effective 2010 for one year
- ▶ Oregon Changes (partially responding to EGTRRA) – HB 3072 (2003)
 - ▶ Codified in law Oregon's connection to the IRC as in effect on 12/31/2000 (point in time connection)
 - ▶ For deaths that occurred in 2003-2011, Oregon's filing requirement differed from federal requirements

Recent Oregon Inheritance/Estate Tax History

- ▶ Oregon Changes – 2007 & 2008 sessions
 - ▶ Attempted to preserve family owned farms, fishing business and small forest owners by increasing the threshold for these estates to \$7.5 million
 - ▶ The February 2008 session introduced a credit schedule for the small family owned natural resource properties.
- ▶ Oregon Changes – 2012 & 2015
 - ▶ HB 2541 (2012) changed the Oregon inheritance tax into the current Oregon estate transfer tax, include credit for natural resource properties
 - ▶ SB 864 (2015) modified natural resource credit relating to natural resource property located in Oregon
- ▶ Federal Changes
 - ▶ 2010 Increased estate tax exemption to \$5M (passed as 2 yr. change)
 - ▶ 2012 (ATRA) Make previous federal changes permanent
 - ▶ 2017 (TCJA) Increased estate tax exemption, \$11.4M in 2019 (exemption is indexed)

Oregon's tax rate table

Column 1	Column 2	Column 3	Column 4
Taxable estate equal to or more than:	Taxable estate less than:	Tax on amount in column 1:	Tax rate on taxable estate amount more than the amount in column 1 (percent):
\$ 1,000,000	\$ 1,500,000	\$ 0	10.0%
1,500,000	2,500,000	50,000	10.25%
2,500,000	3,500,000	152,500	10.5%
3,500,000	4,500,000	257,500	11.0%
4,500,000	5,500,000	367,500	11.5%
5,500,000	6,500,000	482,500	12.0%
6,500,000	7,500,000	602,500	13.0%
7,500,000	8,500,000	732,500	14.0%
8,500,000	9,500,000	872,500	15.0%
9,500,000		1,022,500	16.0%

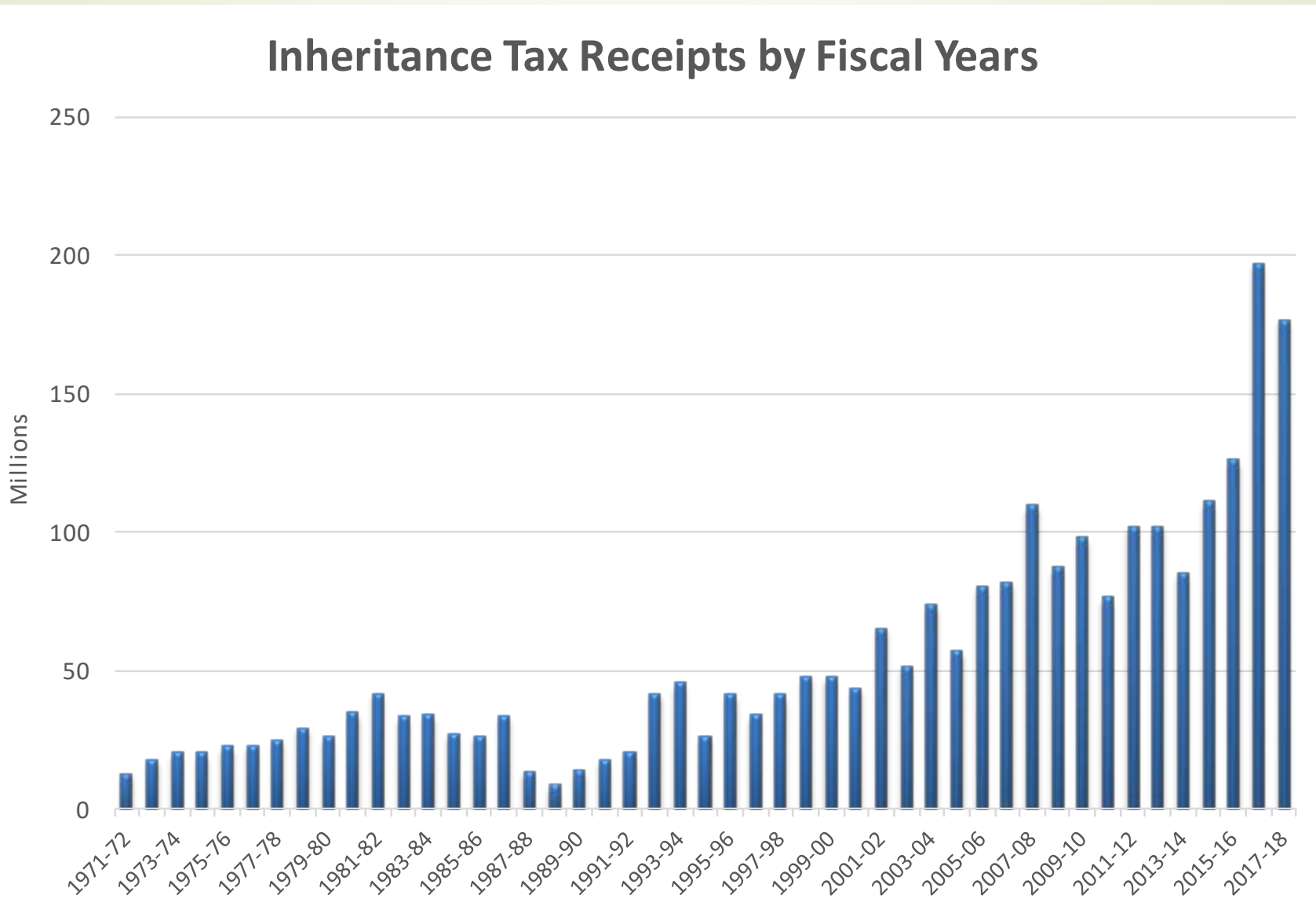
Natural Resource Credit

- ▶ Credit available to certain estates with natural resource property
 - ▶ Farm use, forestland use and property used in commercial fishing business operations
- ▶ Gross estate value must be \leq \$15 million to qualify for credit
- ▶ Total value of natural resource property in estate must be more than 50% of value of estate in Oregon
- ▶ Use requirement
 - ▶ Property must have been part of farm, forestry or fishing business in 5 of previous 8 years and must be transferred to a family member and used in operation of a farm, forestry or fishing business in 5 of following 8 years following decedent's death
- ▶ Credit computed as:

$$\text{Tax that would be payable absent the credit} * \frac{\text{lesser of: value of NRP claimed or \$7.5M}}{\text{total adjusted gross estate value}}$$

Inheritance/Estate Tax Receipts

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Estate Tax Returns

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Payable Tax by OR Estate Size -Tax year 2017

Oregon Taxable Estate	Number of Estates	Payable Tax (i.e. tax owed, based on returns)	
Less than \$1 million	465	\$0	0%
1m – 1.5m	673	\$10,535,645	5%
1.5m – 2m	230	\$15,574,562	8%
2m – 3.5m	254	\$37,145,136	19%
3.5m – 5m	74	\$20,360,365	11%
5m – 10m	70	\$36,309,775	19%
More than \$10 million	25	\$72,671,703	38%
Total	1,791	\$192,597,186	100%

*Estates worth \$1 million or more are required to file, but may not owe any taxes, after considering deductions, credits and allowances.

Estate / Inheritance Tax Returns, Tax Years 2007-2017

Tax year	Returns	Payable Tax	Returns Claiming NRC Credit	Natural Resource Credit (NRC) Claimed
2007 *	1,355	118,705,672	42	2,494,644
2008	1,292	75,950,100	31	1,676,046
2009	1,144	84,133,558	31	1,816,780
2010	1,296	80,556,556	23	1,605,202
2011	1,322	93,331,726	27	3,288,147
2012	1,385	94,219,000	25	4,321,000
2013	1,599	106,597,000	32	3,657,000
2014	1,563	113,024,000	31	3,317,000
2015	1,776	157,579,000	51	5,655,000
2016	1,857	175,417,421	44	6,078,918
2017	1,791	192,597,186	45	5,401,442

*2007 total includes the Natural Resource Exclusion which was replaced by the NRC in 2008 but was applied retroactively