

Date: March 10, 2021

To: Chair and Members of the Senate Finance and Revenue Committee
From: Scott Bruun, OBI
RE: OBI Testimony in Support of HB 15

Chair Burdick and Members of the Committee:

Good afternoon. My name is Scott Bruun, and I am Director of Tax and Fiscal Policy for Oregon Business and Industry. OBI is a member-led business trade association. We have 1,600 members that employ more than 330,000 Oregonians. Thank you for the opportunity to testify.

OBI strongly supports SB 15.

Currently, Oregon law only exempts the first \$1 million of estate value. Our understanding is that SB 15 would create an additional exemption of \$1.5 million for estates valued up to \$4.5 million, and then progressively reduce the amount for estates valued up to \$8.5 million, at which point the additional exemption goes away. In other words, this bill is specifically targeted to assist small business and small farm estates. While OBI supports a full repeal of the estate tax, we believe SB 15 is a significant step in the right direction.

Oregon is one of only a handful of states with an estate tax and, at \$1 million, has the lowest threshold in the nation for when the tax first takes effect. This is particularly onerous for Oregon farmers and small businesses as even the smallest farms and businesses can accumulate \$1 million in value. In fact, according to the Legislative Revenue Office's 2020 Oregon Public Finance: Basic Facts, 83% of the Oregon estate tax returns filed in 2017 were for taxable estates of less than \$2.5 million.

Given the low existing estate tax exemption in Oregon, it's easy to understand how small business owners may be incentivized to relocate to other states, or how other businesses may be discouraged from starting operations in Oregon in the first place. This is further exacerbated by the fact that Oregon's overall business tax burden will increase 41% between 2019 and 2020.

Oregon's current estate tax not only leads to a loss or suppression of jobs here in Oregon but also a related loss of income, payroll and other tax revenues as well. This is significant, because the amount of revenue collected by the state through the estate tax is such a small part of all state revenue collected each year, roughly only 2%. The state should not trade a small amount of estate tax revenue for a larger amount of potential income and payroll tax revenue.

For these reasons, OBI supports SB 15 and urges the committee to pass this important legislation.

Thank you for your consideration.

Contact: Scott Bruun, OBI, scottbruun@oregonbusinessindustry.com