

Oregon Estate Tax: Brief Background

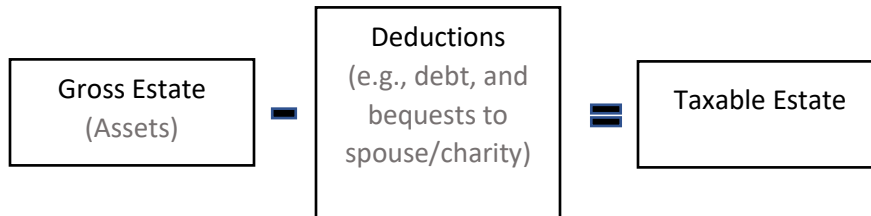
(February 9, 2023)

An estate tax is one form of a transfer tax. It imposes the tax on the estate itself and is calculated based on the value of all property transferred from a decedent to their heirs and other recipients. The Oregon Estate Transfer Tax is forecast to raise \$534.6 million in the 2023-25 biennium (2 percent of the General Fund).

The basic structure of Oregon’s estate tax was put in place in 2011. Prior to 2011, the Oregon tax was set equal to the federal estate tax credit allowed for state taxes. This was a dollar-for-dollar reduction in federal tax and essentially divided the total federal tax into state and federal amounts. The federal tax exemption amount increased from \$675 thousand in 2003 to \$5 million in 2011¹, and the credit for state taxes was phased out and was unavailable by 2005. However, until 2011 Oregon’s tax was based on a point-in-time connection to the credit as calculated under 2000 federal law. There was increasing complexity due to the divergence between the state and federal taxes as well as from continuing use of the calculation of an expired federal credit for state taxes as the basis of a stand-alone tax.

In 2009, the legislature’s revenue committees asked the Oregon Law Commission to study Oregon’s Inheritance Tax and make recommendations for reform. The Commission formed a workgroup, which suggested a replacement structure. The recommendations became the starting point for replacing the inheritance tax with an estate tax specific to Oregon. The result of the recommendations and associated policy choices were enacted in HB 2541 (2011). The rest of this brief describes the current structure of the Oregon Estate Tax.

In a simplified view, a decedent’s taxable estate is the net value of assets less deductions.



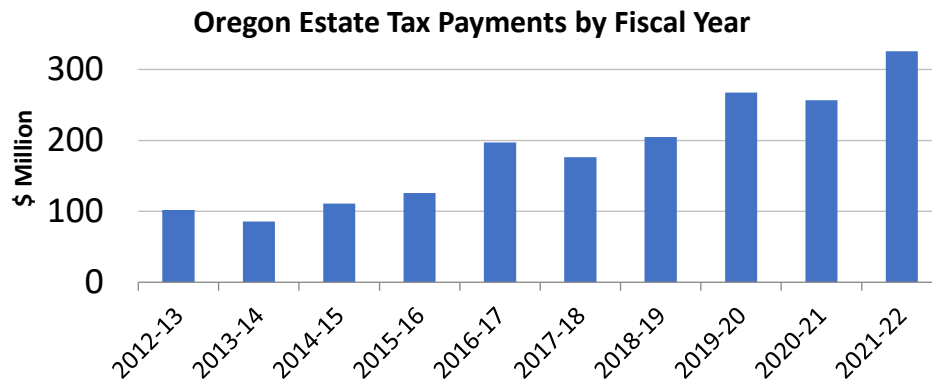
Oregon has tax rates starting at 10 percent for estate value over \$1 million, rising to 16% at \$9.5 million.

Estate Value in Oregon	Marginal Tax Rate
Less than \$1 million	0%
\$1m - \$1.5m	10%
\$1.5m - \$2.5m	10.25%
\$2.5m - \$3.5m	10.5%
\$3.5m - \$4.5m	11%
\$4.5m - \$5.5m	11.5%
\$5.5m - \$6.5m	12%
\$6.5m - \$7.5m	13%
\$7.5m - \$8.5m	14%
\$8.5m - \$9.5m	15%
More than \$9.5m	16%

¹ The details are beyond the scope of this discussion, but the federal tax was briefly repealed, but Congress brought it back in a way that allowed estates to choose one of two methods of taxation for deaths in 2010.

For decedents with property both inside and outside Oregon, the tax is imposed on the Oregon amount by multiplying tax calculated on the full estate by the ratio of Oregon estate value divided by the value everywhere.

Oregon Estate Tax receipts have been increasing in recent years, from about \$100 million in fiscal year 2013 to over \$300 million in fiscal year 2022.



There were 2,486 estates that filed Oregon estate tax returns for deaths in 2020 (tax year 2020), with 674 estates below the tax threshold after deductions.

Tax Year 2020 Oregon Estate Tax Returns

Taxable Estate	Number of Returns	% of Returns	Total Tax (\$ million)	% of Tax
Under \$1M	674	27.1%	\$0.0	0.0%
\$1M-\$1.5M	824	33.1%	\$13.8	5.7%
\$1.5M-\$2.5M	543	21.8%	\$45.4	18.7%
\$2.5M-\$3.5M	202	8.1%	\$36.5	15.0%
\$3.5M-\$4.5M	79	3.2%	\$22.3	9.2%
\$4.5M-\$5.5M	48	1.9%	\$17.4	7.2%
\$5.5M-\$6.5M	27	1.1%	\$10.8	4.4%
\$6.5M-\$7.5M	15	0.6%	\$8.9	3.6%
\$7.5M-\$9.5M	23	0.9%	\$14.8	6.1%
\$more than \$9.5M	51	2.1%	\$73.4	30.2%
Total	2,486	100%	\$243.3	100%

Oregon has a natural resource credit that excludes up to \$7.5 million of farm, forest, or fishing property in Oregon. The property must be transferred to a family member and owned and used for specified purposed five out of eight years preceding and after a decedent’s death. The credit applies to estates up to \$15 million in adjusted gross estate if the specified property is at least 50 percent of adjusted gross estate value in Oregon.

Oregon Estate Tax Returns and Natural Resource Credit Usage

Tax Year	Total Returns	Total Tax (\$ million)	Number with NRC	Total NRC (\$ million)
2017	2,063	\$206.7	50	\$5.7
2018	2,067	\$188.1	45	\$5.2
2019	2,372	\$315.8	52	\$6.2
2020	2,486	\$243.3	59	\$7.9