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House Bill 2624 and Oregon Estate Tax Reform

Chair Nathanson, Vice-Chair Reschke, Vice-Chair Walters and Members of the House Committee on Revenue, thank you for holding a hearing this morning on House Bill 2624 related to Oregon's estate tax exemption. Reforming Oregon's estate tax is needed to stem the rising tide of individuals and small business owners leaving Oregon to avoid this onerous tax.

Oregon bankers have a unique vantage point on this issue as they are often one of the first consulted when a customer opts to leave the state. Bankers have many examples of their customers that determine they must leave Oregon entirely – or take up residence in another state for more than half of the year – to avoid the reach of Oregon's estate tax. Concerns about this trend are rising among Oregon bankers.

Oregon's current exemption of \$1 million, which is not indexed for inflation and has not been updated in years, acts as a strong disincentive for many Oregonians to remain in the state. Oregon is surrounded by states without an estate tax, such as California, Nevada, and Idaho, or that have a higher exemption, as is the case in Washington, that is more than double Oregon's. Oregon loses valuable income tax, property tax, and other revenue from those leaving the state due to the estate tax.

Oregon is an outlier when it comes to estate taxes. The Tax Foundation reports that as of 2022, only 12 states and the District of Columbia still have an estate tax. Most states, however, have abolished the estate tax. In an October, 2022 article titled "[18 States With Scary Death Taxes](#)", Kiplinger ranked Oregon "the most frightening place in the U.S. to die if you're concerned about estate taxes." The article noted that "The state's estate tax still kicks in for estates valued at as little as \$1 million ... [and] imposes a relatively high 10% tax rate on even the smallest estates."

Even modest retirement savings, coupled with increasing home values, will result in more Oregonians being captured by the estate tax. While this may, on the surface, seem like an added source of state revenue, additional revenue generated by the estate tax will likely be offset by a loss of other tax revenue paid by these individuals and families. Small, family-owned businesses, depending upon how they are organized, are also caught in the cross-hairs of Oregon's estate tax.

There are a variety of proposals that would mitigate the negative impact of the estate tax. House Bill 2624 is a modest start that would allow an additional estate tax exclusion of \$1 million against the tax due and add a yearly cost-of-living adjustment to that additional estate tax exemption. We would encourage the Legislature to look at other estate tax modernizations as well. From abolishing the estate tax altogether or reducing rates, to increasing the exemption amount further or exempting certain businesses altogether, Oregon's approach to the estate tax needs to be reformed to ensure that it does not incent more Oregonians to leave the state.

On behalf of our member banks and their customers, OBA stands ready to engage with the Legislature in addressing this important issue. Thank you for the opportunity to work to find solutions to this growing problem.

Please Support House Bill 2624

If you have questions, please contact John Powell at (503) 510-8758, Tim Martinez at (503) 510-9019, or Kevin Christiansen at (503) 576-4123.