



2022 OREGON PUBLIC FINANCE: BASIC FACTS

Research Report #1-22

**LEGISLATIVE REVENUE
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OREGON ESTATE TAX

Overview of Oregon's Estate Tax

Estate, Inheritance, Gift, and Generation Skipping taxes are different forms of taxes on the transfer of wealth. Estate tax is imposed when the property transfer is caused by death and is levied on the value of property left by the deceased. Inheritance tax is also imposed after death, but levied on the amounts that each relative receives depending on their income and relationships to the deceased. Gift taxes are imposed when the property owner is still living and transfers property to different relatives. Generation Skipping tax can be imposed either at time of death or at time of shift in property rights by gift. Gift and generation skipping taxes are often administered as compliments to estate or inheritance taxes. House Bill 2541 (2011) replaced the federally connected tax to an Oregon specific estate tax. Oregon's estate tax currently is connected only to the definitions used in many of the tax forms as the federal estate tax that was in effect on December 31, 2010.

Estates with gross values (total estate value both inside and outside of Oregon) greater than or equal to \$1 million are required to file estate tax returns while estates valued less than \$1 million are not subject to the tax and no return is required. Calculation of Oregon's estate tax is determined by applying the rates listed at the bottom of the page to the Oregon taxable estate value.

$$\begin{aligned}
 \text{Oregon Taxable Estate Value} &= \text{Federal Taxable Estate (as in effect on 12/31/2010)} \\
 &+ \text{Federal state deduction} \\
 &\pm \text{Marital property deduction (if applicable)} \\
 &- \text{Any other exclusions or deductions}
 \end{aligned}$$

If the Oregon taxable estate is at least the amount in column 1 below, but less than the amount in column 2, the tax is the amount in column 3, increased by the excess above the amount in column 1 multiplied by the percentage in column 4. For example, the tax imposed on an Oregon taxable estate worth 5,000,000 would be \$425,000.¹

Estate Tax Table

| Column 1 | Column 2 | Column 3 | Column 4 |
|------------------------------------------|---------------------------|----------------------------|----------------------------------------------------------------------------------------|
| Taxable estate equal to or greater than: | Taxable estate less than: | Tax on amount in column 1: | Tax rate percentage applied to taxable estate value greater than a amount in column 1: |
| \$1,000,000 | \$1,500,000 | \$0 | 10.0% |
| 1,500,000 | 2,500,000 | 50,000 | 10.3% |
| 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% |

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¹ Calculated as \$367,500+(5,000,000-4,500,000) x 11.5%

² https://www.oregon.gov/DOR/forms/FormsPubs/form-or-706-inst_104-001-1_2019.pdf

changes included a phase-out of the state death tax credit, an increase in the gross estate value filing threshold, a decrease in the highest federal estate tax rates and a complete elimination of the federal estate tax effective 2010 for one year. The phase-out of the total state death tax credit eliminated states' abilities to capture a portion of each estate's federal tax liability beginning in 2005.

Partially in response to EGTRRA, Oregon passed HB 3072 (2003) which codified in law Oregon's connection to the Internal Revenue Code as in effect on December 31, 2000. For deaths that occurred in 2003-2011, Oregon's filing requirement differed from federal requirements. As Oregon's filing requirement was less than the federal requirement, in some cases estates were required to file with Oregon even if no federal return was required.

The 2007 session attempted to preserve family owned farms, fishing business and small forest owners by increasing the threshold for these estates to \$7.5 million. However, HB 3201 faced difficulties in the implementation phase. The February 2008 session introduced a credit schedule for the small family owned natural resource properties.

In 2012, HB 2541 changed the Oregon inheritance tax into the current Oregon estate transfer tax. The bill contained many of the recommendations provided by an Inheritance tax work group of the Oregon Law Commission. Included in the reforms was a credit for natural resource properties.

SB 864 (2015) modified the Natural Resource Credit (NRC). Qualification for the NRC was affirmed to be calculated based upon property within the state of Oregon only, rather than the "gross estate". To qualify for the credit, 50% of the Oregon adjusted gross estate value must be natural resource property.

Exhibit F1

| Estate Value in OR in \$s ¹ | Number of Estates | Num of Returns as % of total | Payable Tax | Tax as a % of total |
|-------------------------------------------|----------------------|---------------------------------|----------------------|---------------------|
| Less than \$1 million | 654 | 28% | \$ - | 0% |
| 1m - 1.5m | 826 | 36% | \$ 13,626,114 | 4% |
| 1.5m - 2.5m | 475 | 20% | \$ 40,532,032 | 13% |
| 2.5m-3.5m | 143 | 6% | \$ 25,151,857 | 8% |
| 3.5m-4.5m | 81 | 3% | \$ 19,225,032 | 6% |
| 4.5m-5.5m | 48 | 2% | \$ 17,540,306 | 6% |
| 5.5m-6.5m | 21 | 1% | \$ 10,153,163 | 3% |
| 6.5m-7.5m | 19 | 1% | \$ 10,895,593 | 3% |
| 7.5m-9.5m | 25 | 1% | \$ 14,899,832 | 5% |
| more than 9.5m | 34 | 1% | \$ 160,142,214 | 51% |
| Total | 2,326 | 100% | \$312,166,143 | 100% |

¹Includes value of estate in OR only. Tax is paid on estates in OR worth less than \$1m so long as gross estate, total value of estate inside and outside OR, is valued over \$1m.