



1149 Court St. NE
Salem, OR 97301
(503) 364-4450
NFIB.com

February 9, 2023

To: The House Committee on Revenue
From: Anthony K. Smith, National Federation of Independent Business
Re: NFIB Written Testimony in Support of HB 2624

Chair Nathanson, Vice-Chairs Reschke & Walters, and Members of the Committee:

On behalf of the thousands of Oregon small business members of the National Federation of Independent Business, many being the smallest of small businesses, I would like to express our support for HB 2624, which would exclude an additional \$1 million of estate value from Oregon's estate tax calculation, and would adjust that amount for inflation annually going forward, effectively exempting a total of \$2 million per estate starting in 2024.

Oregon's estate tax applies to all estates valued at \$1 million or more. The tax rates range from 10 to 16 percent on the value of the estate that exceeds \$1 million. In contrast, the federal estate tax exemption level is currently \$12.92 million for 2023 and three-fourths of states do not impose an estate tax at all. Only the state of Massachusetts has exemption threshold as low as Oregon's at \$1 million. Regarding our closest neighbors, California, Idaho, and Nevada have no estate tax. Washington state has an exemption threshold of \$2.193 million for 2023.

Over the last decade, estate tax revenues in Oregon have doubled – and not because a steady influx of billionaires moved to Oregon to enjoy their retirement years. Rather, during that same timeframe, the number of Oregon taxpayers subject to the tax has also nearly doubled, meaning more and more Oregonians are paying a tax that was once paid only by a small number of very wealthy individuals.

A key factor driving this stark increase is surging real property values, especially homes, which have an outsized impact on the overall value of estates – and that's true for small business owners, but also for Oregonians in general. With median home values in some parts of Oregon at \$500,000 or more, many Oregonians who have spent a lifetime making mortgage payments toward their most valuable asset, are going to find themselves more than halfway to Oregon's lowest-in-the-nation estate tax exemption threshold of \$1 million.

Now imagine the average small businessperson, who in addition to their home also owns their business, and in many cases, the real property that the business sits on. Therein lies the problem.

Much of the cost of having an estate tax on the books actually occurs before the tax itself is imposed. Nationally, just over a third of NFIB members incurred tax planning expenses in the five years leading up to the passage of the Tax Cuts & Jobs Act of 2017, which doubled the federal exemption threshold. That figure has most likely dropped nationwide, especially for small businesses in states without an estate tax, but probably not for NFIB members in Oregon, where we have the lowest exemption threshold in the country.

At its worst the estate tax can tax a family right out of business. For estates comprised mainly of illiquid assets, like land or a building, coming up with the cash to pay the tax can be a major challenge.

Eighty-eight percent of NFIB members in Oregon support the complete elimination of Oregon's estate tax. This bill takes a different approach, but it's a step in the right direction and hopefully, the beginning of a thoughtful dialogue about Oregon's estate tax. Failure to act soon will result in more and more middle-class families caught up in an estate tax situation they may not be prepared for – and at a time in their lives when family members are grieving the loss of a loved one.

To add insult to injury, it would be a shame if lifelong Oregonians decided to spend their retirement years in neighboring states that have no estate tax – which most certainly has a negative impact on other state revenues and our economy as a whole. It would be a worthwhile exercise to see if a modest adjustment in the estate tax could actually increase overall state revenues by removing this current disincentive to leave the state.

NFIB encourages the committee to support HB 2624 and is ready to work with all interested legislators and stakeholders to make our state more hospitable to hard-working Oregonians looking to pass the family business on from generation to generation.

NFIB respectfully asks you to vote YES on HB 2624.

Thank you for your time and consideration,



Anthony K. Smith
NFIB Oregon State Director