

Lloyd Helikson
Eugene, Oregon

Testimony in Support of SB 68, with Proposed Modifications

I support SB 68, which appears to add an additional \$1.5 million estate tax exemption to the current \$1 million exemption (\$2.5 million total) for Oregon taxable estates with a value up to but not including \$4.5 million, and with the additional exemption reduced as the estate value increases above \$4.5 million. No additional exemption is allowed if the estate value is \$8.5 million or more. SB 68 could be amended so that the additional \$1.5 million exemption starts reducing at \$3.5 million rather than \$4.5 million, with no benefit to estates of \$7.5 million or more.

Estate tax reform should also increase the current base exemption from \$1 million to \$1.5 million, since, as discussed below, general CPI inflation alone justifies a \$500,000 increase. This base increase should benefit all estates since the \$1 million exemption, impacted by inflation, applies to all estates. SB 68 would then add an additional \$1 million exemption (rather than \$1.5 million) for estates up to a certain amount such as \$4.5 or \$3.5 million, with the additional exemption reduced above that amount, such as by \$250,000 for each additional \$1 million of estate value, similar to the SB 68 reductions. This would still result in a combined \$2.5 million exemption up to the cap, like SB 68.

General inflation since 2006 (based upon CPI) justifies an increase in the Oregon estate tax basic exemption to \$1.5 million. As of 2006, no Oregon estate tax return was required to be filed unless the estate was valued at \$1 million or more. There was thus an effective \$1 million exemption as of January 1, 2006, except that the entire estate was taxed if \$1 million was reached. See ORS 118.160(1)(b); 2003 Or Laws Ch. 806. The online US Bureau of Labor Statistics national CPI calculator shows that \$1 million in January 2006 would equal \$1.508 million as of January 2023 (1.517 million by February 2023). See <https://data.bls.gov/cgi-bin/cpicalc.pl> The CPI may not adequately account for larger % increases in home values, which significantly increase estate values.

Due to inflation and other factors, more Oregon residents are finding that they may owe substantial Oregon estate tax. The estate tax may impact retirees whose retirement accounts have increased, homeowners where home values have increased substantially, and small businesses where the assets creating the estate tax obligation are part of the business and real property.

Oregon is only one of 12 states and the District of Columbia that have an estate tax, with 5 states having an inheritance tax. The \$1 million exemptions in Oregon and Massachusetts are the lowest estate tax exemptions. The next 2 lowest exemptions are Rhode Island (\$1,733,264) and Washington (\$2,193,000). Oregon should at least increase its estate tax exemption to be competitive with Washington, with none of Oregon's other neighboring states, Idaho, California and Nevada, having any estate tax. Such legislation may help to heal the urban-rural divide in Oregon, with rural counties seeking to join Idaho, and may make it less likely that Oregon businesses and individuals will move to another state, taking their income tax and other tax revenues with them.

On March 1, 2023, Massachusetts Governor Healey asked the legislature to increase the estate tax exemption to \$3 million (applying to decedents dying on or after July 1, 2003), and submitted H42. See <https://malegislature.gov/Bills/193/H42> A public hearing attended by the Governor and Lt. Governor was held on March 28, 2023, before the Massachusetts Joint Committee on Revenue.

The Oregon Department of Revenue 2022 Annual Report shows a 27% increase in estate tax revenue in one year from FY 21 to FY 22.¹ This trend may continue as the estates of baby boomers and their parents become subject to estate tax. Increasing the estate tax exemption may, at least to some extent, reduce the increase in estate tax revenues as opposed to reducing current revenues. Less future estate tax revenues may also be offset by less kicker refunds.

Any increase in the estate tax exemption should also index exemption amounts to inflation, in order to keep up with inflation over time. Any increase should also apply to estates as of 1/1/23 rather than 1/1/24, to account for inflation as to estates opened during 2023. Increasing Oregon's estate tax exemption is long overdue, and the increase should apply to estates as soon as possible.

The increase should also amend ORS 118.160(1), adding section (d), to the effect: "An estate tax return is not required with respect to the estates of decedents who die on or after January 1, 2023, unless the value of the Oregon taxable estate is \$2.5 million or more." This would avoid estate tax returns being required to be filed when no tax is due based upon the exemption(s).

Thank you for your consideration.

¹ https://www.oregon.gov/dor/gethelp/Documents/FINAL%20Oregon%20Department%20of%20Revenue%202022%20Annual%20Report.pdf?utm_medium=email&utm_source=govdelivery