

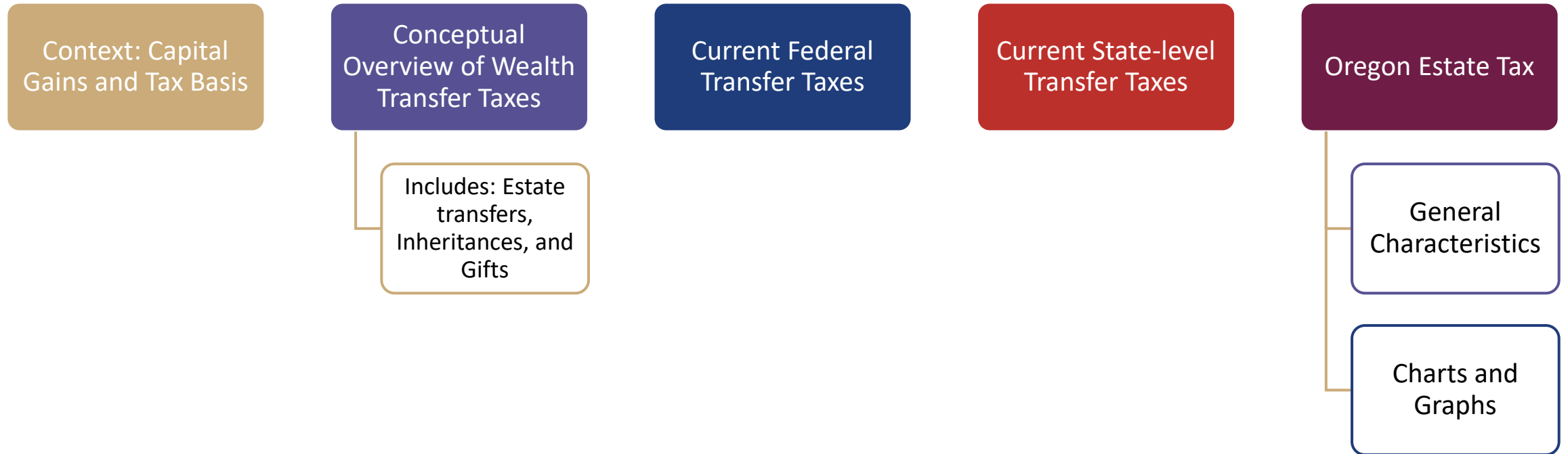
Wealth Transfer Taxes & Oregon's Estate Tax

Senate Interim Committee on Revenue

November 17, 2025



Outline



Tax Basis and Capital Gains

Noncash, and sometimes non-liquid assets are an important component of wealth

- Publicly traded Stocks
- Real Estate
- Business Ownership

When an asset is sold, it can lead to income/loss (a gain/loss is “realized”)

Taxable Income = sales price – tax basis

Tax Basis is generally the cost of the asset or the amount of investment.

Example: A share of stock is purchased at \$100, and sold at \$1,000.

The sale creates a realized gain of \$900

Tax Basis and Capital Gains – Gifted and Inherited Assets

Gifted Assets – Carryover Basis

The recipient's tax basis is the same as the donor/transferor

Example: A stock purchased for \$100 is given as a gift.

The stock has a “carryover basis” of \$100

If sold by the recipient for \$1,000 the gain is \$900

Inherited Assets – Step-up Basis

The recipient's tax basis of an inherited asset is the value at the time of the decedent's death

Example: A stock purchased for \$100 is inherited

The stock value is \$800 when decedent dies

The stock has a “stepped-up” basis of \$800

If sold by the recipient for \$1,000 the gain is \$200

Gift Tax

Tax on value of gift during owner's lifetime

- Federal gift tax applies to the person making the gift
- Key Parameters
 - Annual Exclusion Amount
 - Tax Rate

Federal gift tax is “unified” with estate tax and 40% rate

- Gifts above annual exclusion (\$19,000 per recipient for 2025) reduce unified lifetime exclusion (\$13.99 million for 2025) for gift and estate tax

Estate Tax

Tax on the net value of an estate at time of decedent's death

- Applies to the estate
- Key Parameters
 - Exemption Amount
 - Exempt Bequests (e.g. spouse and charitable)
 - Tax Rate
 - Tax Brackets
 - If progressive rates, they are in relation to taxable estate value

Inheritance Tax

Tax on the net value of assets received by each heir after decedent's death

- Applies to the beneficiary
- Key Parameters
 - Exemption Amount
 - Tax Rates – Generally differ based on recipient relationship to decedent
 - E.g. zero for spouse or charity, and lower rate for children, higher rate for others
 - Tax Brackets
 - If progressive rates, they are in relation to value inherited

Current Federal Wealth Transfer Taxes (2025 values)

Estate and Gift Tax

- Combined estates and gifts over a \$13.99 million lifetime cap in 2025 are subject to tax (\$15M cap for 2026 adjusted for inflation in 2027 and later – based on HR1)
- Gifts below annual gift exemption of \$19,000 (2025) are not taxed
- Unused lifetime exemption can be used by surviving spouse.
- Tax rate is 40% for Estates and Gifts
- State estate taxes are deductible

Generation Skipping Transfer Tax

To address tax avoidance through gifts to later generations (e.g. grandchildren) the federal tax structure includes 40% tax in on some transfers to recipients more than one generation younger than the transferor

Payments of tuition and medical expenses are exempt from GSTT

See: [The Estate and Gift Tax: An Overview, Congressional Research Service 2025](#)

2010 Federal Law Allowed Choice — Pay Estate tax with Stepped-up Basis or Maintain Carryover Basis on Inherited Property

In 2010 the federal estate tax had two options:

- Estates could pay no federal estate tax but face a modified carryover basis on inherited assets.
- Or pay the federal estate tax (exemption \$5 million, 35% top rate) and receive a full step up in basis.

Based on filed returns, about 60% of estates with assets over \$5 million chose carryover basis and about 40% chose to pay the estate tax

*(the percent choosing the estate tax was smaller for larger estates – about 14.5% for estates over \$20M)
(those choosing carryover basis reported about 44% of value was unrealized capital gains)*

There could be several reasons for making either choice, but presumably most estates made the choice that resulted in lower tax. The federal long-term capital gains tax rate is much lower than the estate tax rate, the step-up in basis can be more valuable for surviving spouses in community property states, and the specific makeup of each estate's assets (net of debt) was important in making the choice.

See: "Choosing Between an Estate Tax and a Basis Carryover Regime: Evidence from 2010," Gordan, Joulfaian, and Poterba, National Tax Journal Dec. 2016, and "Estate vs. Capital Gains Taxation: An Evaluation of Prospective Policies for Taxing Wealth at the Time of Death," Avery, Grodzicki, and Moore, Federal Reserve Board, April 2013

Current State-Level Wealth Transfer Taxes

Estate Taxes		
	Exemption	Rates
Connecticut	\$13,990,000	12.0%
Hawaii	\$5,490,000	10.0% - 20.0%
Illinois	\$4,000,000	0.8% - 16.0%
Maine	\$7,000,000	8.0% - 12.0%
Maryland	\$5,000,000	0.8% - 16.0%
Massachusetts	\$2,000,000	0.8% - 16.0%
Minnesota	\$3,000,000	13.0% - 16.0%
New York	\$7,160,000	3.06% - 16.0%
Oregon	\$1,000,000	10.0% - 16.0%
Rhode Island	\$1,802,431	7.2% - 16.0%
Vermont	\$5,000,000	16.0%
Washington	\$3,000,000	10.0% - 35.0%
District of Columbia	\$4,873,200	11.2% - 16.0%

Inheritance Taxes		
	Exemption	Tax Rate
Kentucky	\$500 or \$1,000	4% to 16%
Maryland	\$1,000	10%
Nebraska	\$25,000 to \$100,000	1% to 15%
New Jersey	\$0 to \$25,000	11%-16%
Pennsylvania	\$0	4.5% - 15%

Tax rate and exemption vary with relationship of decedent to ben

This table eschews detail, which may be important
 e.g. New York taxes entire estate if value is 5% over threshold
 - Washington exemption and rate as of 7/1/2025
 - Connecticut estate tax is unified with gift tax

Sources: Various, including state websites and Tax Foundation

Inheritance Tax Example: Kentucky

- Class A Beneficiaries are Exempt – Spouse, Parent, Child, Grandchild, Sibling
- Class B Beneficiaries have \$1,000 exemption, and rates ranging from 4% to 16% (Top rate starts at \$200,000)
Neice/Nephew, daughter/son-in-law, aunt/uncle, great-grandchild
- Class C Beneficiaries have \$500 exemption, and rates ranging from 6% to 16% (Top rate starts at \$200,000)
Class C includes all other non-exempt beneficiaries

DISTRIBUTIVE SHARE BRACKETS

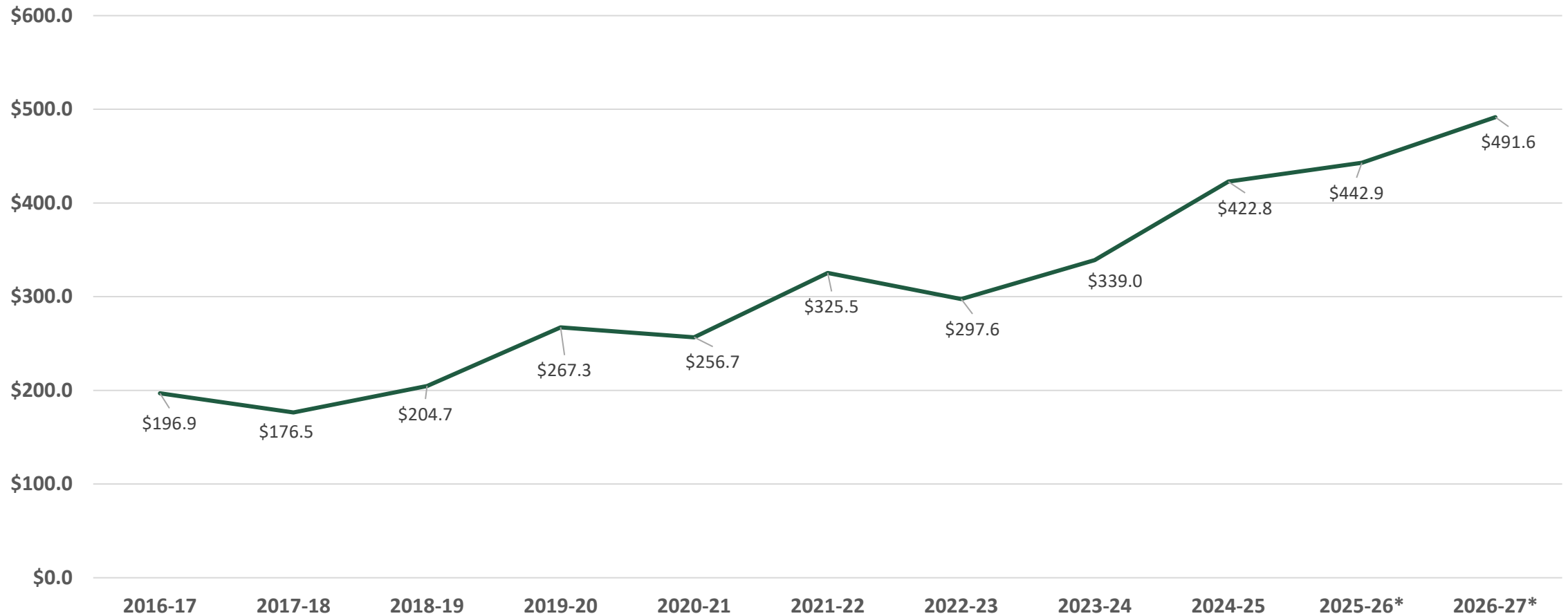
CLASSIFICATION OF BENEFICIARY	\$500 or less	\$500- \$1,000	\$1,000- \$10,000	\$10,000- \$20,000	\$20,000- \$30,000	\$30,000- \$45,000	\$45,000- \$60,000	\$60,000- \$100,000	\$100,000- \$200,000	\$200,000- and over
CLASS B *Nephew, niece, half-nephew, half-niece, daughter-in-law, son-in-law, aunt, uncle, or great-grandchild who is grandchild of child by blood, stepchild or child adopted during infancy .	0	0	4% of Amt. over \$1,000	\$360 + 5% of Amt. over \$10,000	\$860 + 6% of Amt. over \$20,000	\$1,460 + 8% of Amt. over \$30,000	\$2,660 + 10% of Amt. over \$45,000	\$4,160 + 12% of Amt. over \$60,000	\$8,960 + 14% of Amt. over \$100,000	\$22,960 + 16% of Amt. over \$200,000
	Exemption \$1,000									
CLASS C All persons not included in Classes A or B and educational, religious, or other institutions, societies or associations, or public institutions not exempted by KRS 140.060	0	6% of Amt. over \$500	\$30 + 6% of Amt. over \$1,000	\$570 + 8% of Amt. over \$10,000	\$1,370 + 10% of Amt. over \$20,000	\$2,370 + 12% of Amt. over \$30,000	\$4,170 + 14% of Amt. over \$45,000	\$6,270 + 16% of Amt. over \$60,000	\$12,670 + 16% of Amt. over \$100,000	\$28,670 + 16% of Amt. over \$200,000
	Exemption \$500									

Source: A Guide to Kentucky Inheritance and Estate Taxes, Kentucky Dept. of Revenue

Oregon Estate Tax

Description and Statistics

Estate Tax Receipts by Fiscal Year (\$ million General Fund)



**FY 2026 and 2027 Forecast from Office of Economic Analysis
(September 2025)*

Simplified Calculation of Oregon Estate Tax

+ Gross Estate (Total Assets of Decedent)

- Debt

- Allowable Deductions

Estate Admin Expense

Natural Resource Exemption

Bequests to Spouse

Bequests to Charity

= Taxable Estate

X Tax Rates

= Oregon Estate Tax

- Natural Resource Credit

=Net Tax

If Estate has property outside Oregon,
then Estate Tax and Natural Resource
Credit are based on percent of Estate
in Oregon

Tax Rates

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

\$1 million exclusion of taxable estate is implemented through tax brackets, other programs generally subtract exclusion amount to calculate taxable value.

Two options for Family Run Natural Resource Business Property in Oregon passed to a family member

Estates can only use one, but exemption is most beneficial in most circumstances

Natural Resource Exemption (7/1/2023 to 12/31/2028)

Removes Qualifying Property from Tax Calculations

- Farm, Forest or Fishing Property
- Limited to \$15 million in qualifying property
- Decedent or family member required to participate in business for 75% of days each year before and after decedent's death

Natural Resource Credit

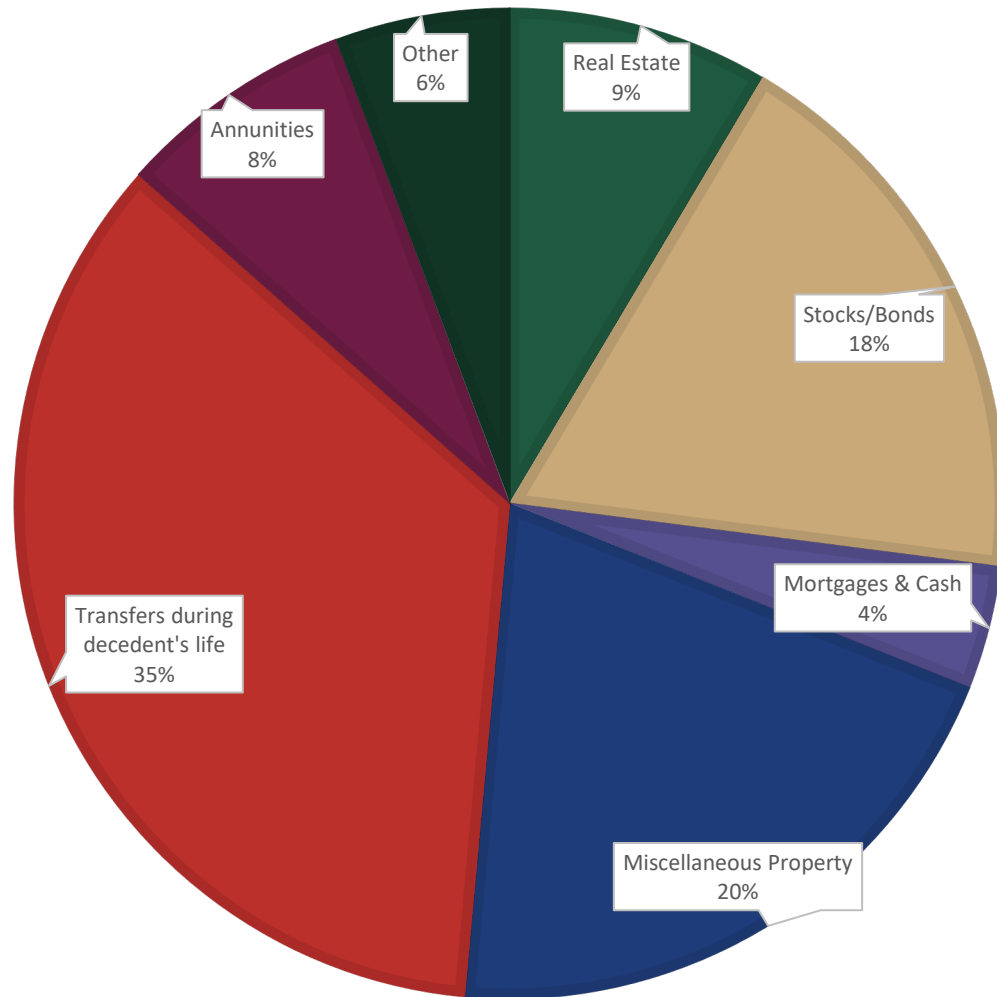
Reduces Tax in Proportion to Property Value

- Qualification and Value Differences vs Exemption
 - Limited to \$7.5 million of property
 - Limited to Estates valued up to \$15 million
 - Limited to Estates with 50% of value from Qualifying Property
 - Requires natural resource use by business owned decedent or family member for five out of 8 years prior to and following decedent's death, and family member participation in business after

Natural Resource

Exemption & Credit

Average Asset Components - Oregon 2018 to 2022 Tax Returns



Transfers During Decedent's Life include

- Transfers of ownership before death where use of asset was retained by decedent
- Revocable Transfers
- Transfers within 3 years of death

Miscellaneous Property doesn't fit another category, and includes

- Interest in business
- Shares in trust funds
- Personal property (household goods, cars, livestock, farm equipment, etc)

Tax Year 2023 Oregon Estate Tax Returns

Taxable Estate	Number of Returns	% of Returns	Total Tax (\$ million)	% of Tax
a) Less than \$1 million	923	29.5%	\$0.0	0.0%
b) 1m-1.5m	1,003	32.0%	\$17.2	4.5%
c) 1.5m-2.5m	634	20.2%	\$54.0	14.0%
d) 2.5m-3.5m	244	7.8%	\$43.1	11.2%
e) 3.5m-4.5m	107	3.4%	\$29.3	7.6%
f) 4.5m-5.5m	70	2.2%	\$26.7	6.9%
g) 5.5m-6.5m	40	1.3%	\$16.3	4.2%
h) 6.5m-7.5m	13	0.4%	\$7.3	1.9%
i) 7.5m-9.5m	33	1.1%	\$22.7	5.9%
j) more than 9.5m	67	2.1%	\$167.9	43.7%
Total	3,134	100%	\$384.6	100%

Note that “% of Tax” column does not represent total reduction in tax if threshold were raised to that level for all estates. For instance, an increase in the threshold to \$1.5 million would have reduced taxes by an average of 23 percent between 2016 and 2022.

Estate Tax Returns by Tax Year

Tax Year	Total Returns	Total Tax (\$ million)
2012	1,385	\$94.2
2013	1,599	\$106.6
2014	1,563	\$113.0
2015	1,776	\$157.6
2016	1,857	\$175.4
2017	2,063	\$206.7
2018	2,077	\$188.7
2019	2,403	\$319.9
2020	2,564	\$247.4
2021	3,147	\$346.0
2022	3,219	\$330.3
2023	3,134	\$384.6

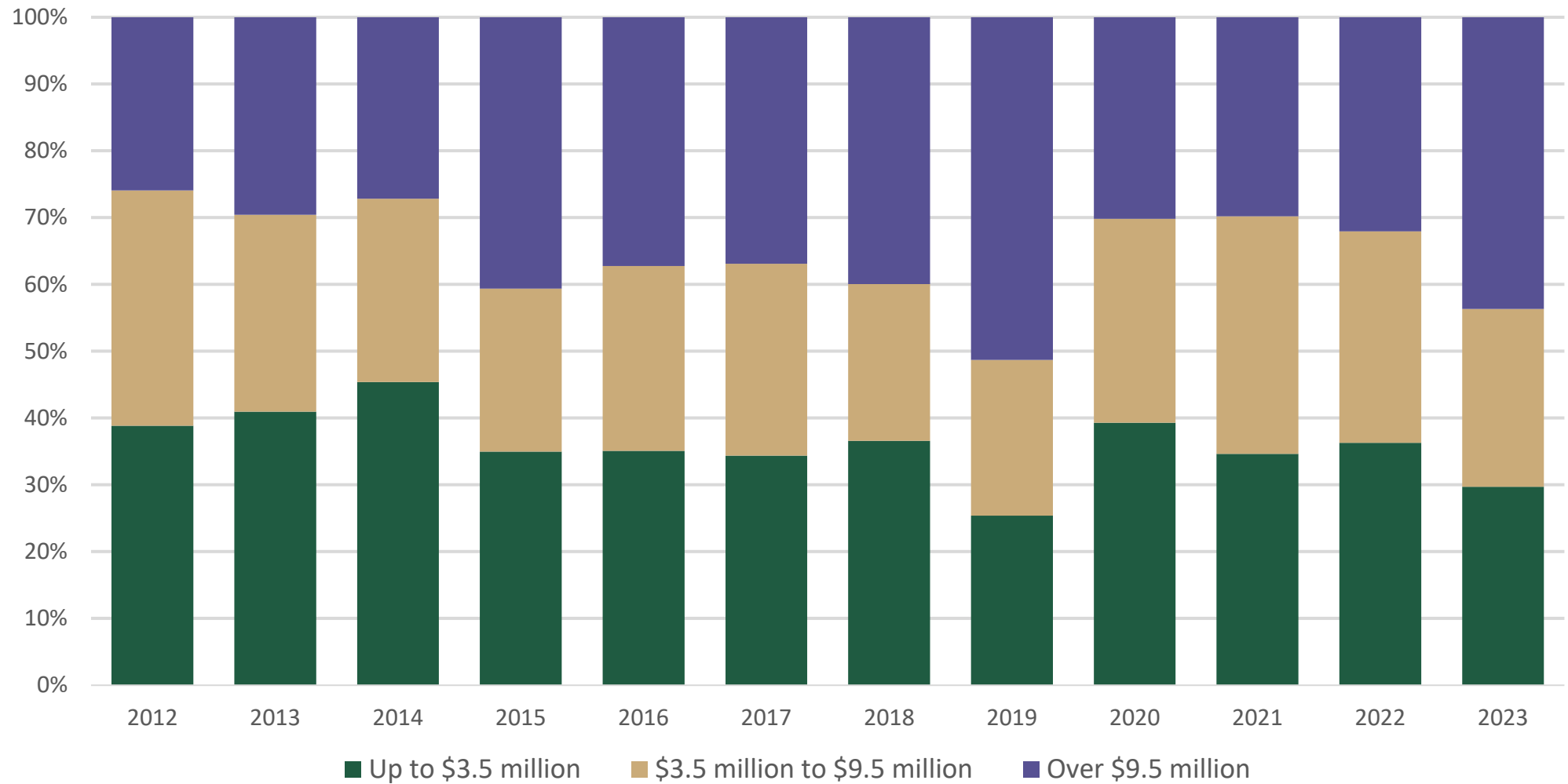
2018 to 2023 data updated November 2025 and will not match previously published data

Natural Resource Credit and Exemption Use

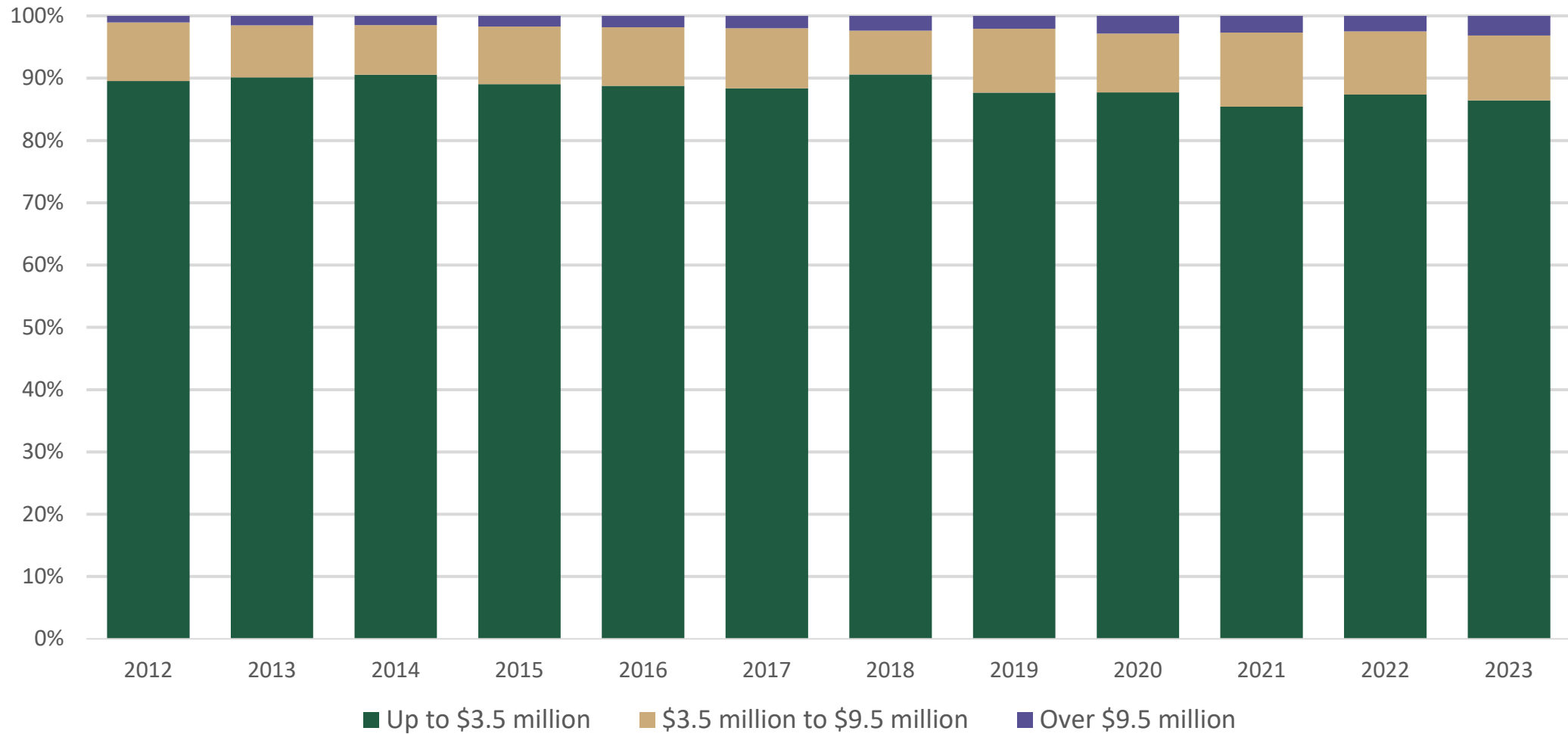
last 5 complete tax
years

Tax Year	Number with NRC	Total Credit (\$ million)	Number with NRE	Exemption Amount (\$ Million)	Tax Reduction (\$ Million)
2019	52	\$6.2	-	-	-
2020	59	\$7.9	-	-	-
2021	75	\$13.3	-	-	-
2022	56	\$9.3	-	-	-
2023	48	\$9.5	35	\$73.0	\$6.7

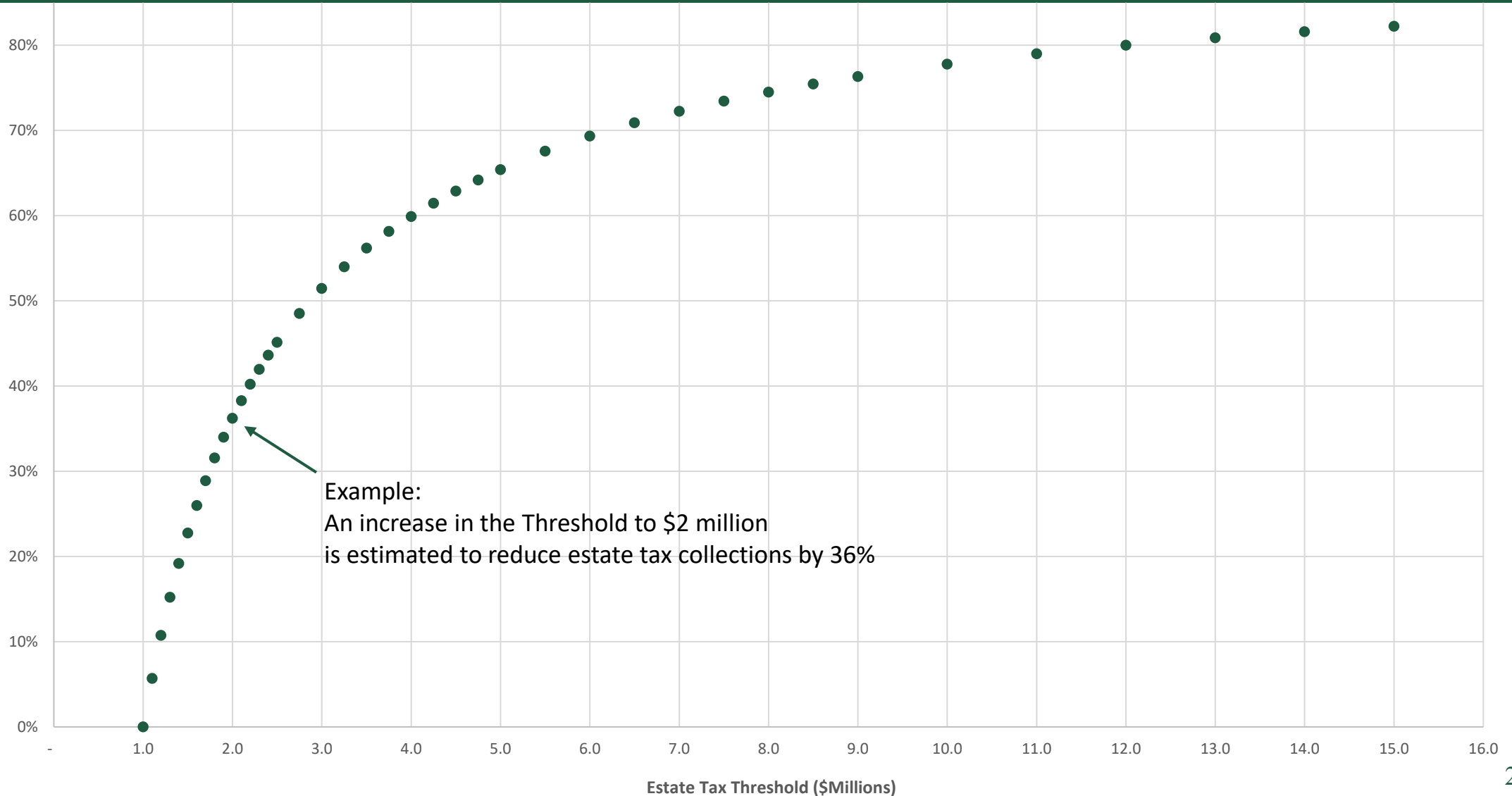
Percent of Tax Paid – Grouped by Oregon Taxable Estate Value



Number of Estates Owing Tax - Grouped by Taxable Estate Value



Estimated % Reduction in Oregon Tax by Estate Threshold



Thank You

