

Estate Tax Options

House Committee on Revenue

May 20, 2025



Organization of Information

- Background
 - Tax Rates
 - Tax Year 2022 Distribution
 - Forecast
 - Timing of General Policy Impacts
- General Options
 - Increased Thresholds
 - General
 - Inflation Indexing
 - Portability
 - Prospective or Retrospective
- More Detailed Examples

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.

Tax Year 2022 Tax Returns By Estate Size

Taxable Estate	Number of Returns	% of Returns	Total Tax (\$ million)	% of Tax
a) Less than \$1 million	888	28.6%	\$0	0.0%
b) 1m-1.5m	1,012	32.6%	\$17,426,667	5.4%
c) 1.5m-2.5m	656	21.1%	\$57,759,652	17.8%
d) 2.5m-3.5m	237	7.6%	\$42,334,036	13.1%
e) 3.5m-4.5m	98	3.2%	\$25,633,754	7.9%
f) 4.5m-5.5m	59	1.9%	\$22,674,259	7.0%
g) 5.5m-6.5m	36	1.2%	\$15,509,496	4.8%
h) 6.5m-7.5m	28	0.9%	\$13,841,493	4.3%
i) 7.5m-9.5m	38	1.2%	\$24,880,930	7.7%
j) more than 9.5m	54	1.7%	\$103,889,644	32.1%
Total	3,106	100%	\$323,949,931	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 Forecast

Office of Economic Analysis

March 2025 Forecast \$Million

FY26	FY27	2025-27	2027-29	2029-31
341.6	357.9	699.5	746.4	795.3

May 2025 Forecast \$Million

FY26	FY27	2025-27	2027-29	2029-31
447.9	488.6	936.6	1,115.1	1,328.8

Estate Tax Timing of Policy Impacts

Estate Tax Returns are Due 12 months after decedent's death (was 9 months before 2022)

- Commonly extended 6 months

Estate Tax Payments are due 12 months after decedent's death

- Payment extensions are permitted

Consequently, Estate Tax changes take two years to phase in

For example: Date of Death 2026,

about 35% of payments in FY2027

about 65% of payments in FY2028

General Impact of Increased Thresholds

- Threshold Increases are generally implemented to apply to every taxpayer
 - Increase of first \$100,000 in threshold reduces revenue by about 5.7%
 - Each additional \$100,000 reduces revenue by less
- **Setting Threshold at \$1.4 million**
 - \$400,000 increase in threshold
(about 19% reduction in tax)

Revenue Impact \$Million

FY26	FY27	2025-27	2027-29	2029-31
0.0	-34.6	-34.6	-213.3	-254.1

Inflation Indexing

- **Start Indexing in 2026 using US City Average CPI** (rounding to \$000)
- Approximate Threshold Levels based on current CPI forecast

CPI Adjusted Threshold

2026	2027	2028	2029	2030
1,028,000	1,067,000	1,086,000	1,114,000	1,131,000

Revenue Impact \$Million

FY26	FY27	2025-27	2027-29	2029-31
0.0	-3.0	-3.0	-37.6	-80.8

Portability Policy Choices

Estate Tax Portability allows a surviving spouse's estate to use the unused portion of a prior-deceased spouse's Exclusion

**Currently Individuals have \$1 million exclusion –
Portability gives married couples a joint \$2 million exclusion**

- Prospective or Retrospective Portability
- Choice determines when benefit begins -- death of first or second spouse
 - **Prospective Portability – Applies at death of first spouse**
Allow Surviving Spouse estate to unused portion of exclusion of prior-deceased spouse for prior deceased spouse deaths starting 2026 (or another year)
 - **Retrospective Portability – Applies at death of second spouse**
Allow Surviving Spouse estates starting in 2026 to unused portion of prior-deceased spouse for prior deceased spouse deaths from any year

Reporting/Filing for Unused Exclusion

- Require using same timeline as current estate tax returns
- Expand timeline

Portability Impact

- The tax reduction of Estate Tax portability is experienced at the death of the second spouse.
- A surviving spouse has an average life expectancy of 10 to 12 years after the death of a first spouse, so **the tax effect phases in over decades.**

Prospective Portability Revenue Impact \$Million

FY26	FY27	2025-27	2027-29	2029-31
0.0	-1.1	-1.1	-12.5	-29.7

Retrospective Portability Revenue Impact \$Million

FY26	FY27	2025-27	2027-29	2029-31
0.0	-9.2	-9.2	-58.9	-75.9

- Note retrospective portability estimated here assumes unused amount of exemption needs to be reported on tax returns that have been filed timely for pre-deceased spouse.

More Detailed Examples

Current Tax Brackets and Calculation For Comparison

- Note: Brackets adjusted to take Exclusion then calculate tax

Oregon Current Estate Tax - w/ Explicit Exclusion

Exclusion Amount		\$1,000,000	
Taxable Estate (After Exclusion)			Tax Rate
-	to 500,000		10.00%
500,000	to 1,500,000		10.25%
1,500,000	to 2,500,000		10.50%
2,500,000	to 3,500,000		11.00%
3,500,000	to 4,500,000		11.50%
4,500,000	to 5,500,000		12.00%
5,500,000	to 6,500,000		13.00%
6,500,000	to 7,500,000		14.00%
7,500,000	to 8,500,000		15.00%
8,500,000	and above		16.00%

Tax Examples

Total Taxable Estate	Taxable Estate After Exclusion	Tax
\$1,500,000	\$500,000	\$50,000
\$3,000,000	\$2,000,000	\$205,000
\$5,000,000	\$4,000,000	\$425,000
\$7,000,000	\$6,000,000	\$667,500
\$15,000,000	\$14,000,000	\$1,902,500

\$1.4 Million Exemption Examples

\$1.4 million exclusion

		Exclusion Amount	\$1,400,000
Taxable Estate (After Exclusion)		Tax Rate	
-	to	500,000	10.00%
500,000	to	1,500,000	10.25%
1,500,000	to	2,500,000	10.50%
2,500,000	to	3,500,000	11.00%
3,500,000	to	4,500,000	11.50%
4,500,000	to	5,500,000	12.00%
5,500,000	to	6,500,000	13.00%
6,500,000	to	7,500,000	14.00%
7,500,000	to	8,500,000	15.00%
8,500,000	and above		16.00%

Tax Examples

Total Taxable Estate	Taxable Estate After Exclusion	Tax	Difference
\$1,500,000	\$100,000	\$10,000	(\$40,000)
\$3,000,000	\$1,600,000	\$163,000	(\$42,000)
\$5,000,000	\$3,600,000	\$379,000	(\$46,000)
\$7,000,000	\$5,600,000	\$615,500	(\$52,000)
\$15,000,000	\$13,600,000	\$1,838,500	(\$64,000)

Revenue Impact \$Million

FY26	FY27	2025-27	2027-29	2029-31
0.0	-34.6	-34.6	-213.3	-254.1

Example - \$1.4 Million Exclusion, Change Rates to reduce impact

Note: Crossover point for this example is \$3.22 million

Estates below crossover value pay less versus current tax structure, those above pay more

\$1.4 million exclusion and new rates

Taxable Estate (After Exclusion)		Tax Rate	Difference
-		12.00%	2%
500,000	to 500,000	12.50%	2%
1,500,000	to 1,500,000	13.50%	3%
2,500,000	to 2,500,000	14.50%	4%
3,500,000	to 3,500,000	15.00%	4%
4,500,000	to 4,500,000	15.50%	4%
5,500,000	to 5,500,000	16.50%	4%
6,500,000	to 6,500,000	17.50%	4%
7,500,000	to 7,500,000	18.00%	3%
8,500,000	and above	19.00%	3%

Tax Examples

Total Taxable Estate	Taxable Estate After Exclusion	Tax	Difference
\$1,500,000	\$100,000	\$12,000	(\$38,000)
\$3,000,000	\$1,600,000	\$198,500	(\$6,500)
\$5,000,000	\$3,600,000	\$480,000	\$55,000
\$7,000,000	\$5,600,000	\$786,500	\$119,000
\$15,000,000	\$13,600,000	\$2,259,000	\$356,500

Revenue Impact \$Million

FY26	FY27	2025-27	2027-29	2029-31
0.0	-0.3	-0.3	-2.1	-2.5

Example - \$1.4 Million Exclusion, Change Rates – Fewer Brackets

Note: Crossover point for this example is \$3.31 million

Estates below crossover value pay less versus current tax structure, those above pay more

1.4 million exclusion and new rates

Exclusion Amount		\$1,400,000	
Taxable Estate (After Exclusion)			Tax Rate
-	to	1,500,000	12.00%
1,500,000	to	5,000,000	14.00%
5,000,000		and above	19.00%

Tax Examples

Total Taxable Estate	Taxable Estate After Exclusion	Tax	Difference
\$1,500,000	\$100,000	\$12,000	(\$38,000)
\$3,000,000	\$1,600,000	\$194,000	(\$11,000)
\$5,000,000	\$3,600,000	\$474,000	\$49,000
\$7,000,000	\$5,600,000	\$784,000	\$116,500
\$15,000,000	\$13,600,000	\$2,304,000	\$401,500

Revenue Impact \$Million

FY26	FY27	2025-27	2027-29	2029-31
0.0	-0.2	-0.2	-1.3	-1.5

Thank You

