



HOUSE OF REPRESENTATIVES

From the Desk of
Rep. Kevin L. Mannix

Kevin L. Mannix

Dear House Colleagues:

I am writing to you regarding SB 1511, which passed the Senate and is now before the House Revenue Committee. It relates to changing Oregon's estate tax.

If you read SB 1511, you will find that the language is so convoluted as to make its terms hard to understand. If you read the summary, you would think that SB 1511 gives Oregonians a new, clean \$2.5 million exemption from the death tax. But estate tax attorneys who have carefully analyzed this bill point out that it has a devastating claw back provision. If your estate is valued at \$1 over \$2.5 million, you return to a \$1 million exemption. This means that you start out with a \$150,000 tax bill if your estate is worth just over \$2.5 million. At the other end of the spectrum, SB 1511 increases the top estate tax rate from 16% to 19.9%. This is the third highest top estate tax rate in the United States.

Please know that only 12 states still have estate taxes (death taxes). Most of our neighboring states are included in the 38 states that do not have an estate tax: Idaho, Nevada, Arizona – and California. We are encouraging our successful taxpayers to move to these other states. The trend of this bill is negative economic growth. We will lose tax payers who live in Oregon, pay Oregon income taxes, and then buy goods and services in their community as well as donate to local charitable causes.

I am surprised that SB 1511 does not contain a "portability" clause. The 11 other states with death taxes allow a surviving spouse to use his or her spouse's unused estate tax exemption. We should do so.

I realize that SB 1511 was written in a convoluted way so as to be "revenue neutral" for all time. This approach assumes that an expensive estate tax system is good for our economy and our people despite the fact that 38 states have eliminated their death taxes since 2002.

We often establish incentives to motivate people to do good things, to create jobs, and grow the economy. SB 1511 is the exact opposite.

I recognize the concern about being "revenue neutral" for this biennium, considering the financial challenges which confront us. I will be proposing an amendment to SB 1511

which will be revenue neutral for this biennium because it will only apply to persons dying in Oregon on and after July 1, 2027. So the existing system stays in place for this biennium. Then, the amendment will contain the following substitute provisions:

1. Establish a clean \$2.5 exemption for each person
2. Provide portability to couples
3. Establish a simple, affordable estate tax rate at a flat 7%

Adoption of this approach will truly be an economic incentive for people to come to Oregon, bring their businesses to Oregon, and stay here.

Think about all the people you know who tell you that they understand that they should not die in Oregon and who will take their resources with them when they go elsewhere.

Please think big about a reform that is a fairer tax system, and which enhance Oregon's economy. That is the amendment package I will be presenting for SB 1511.

Sincerely,

A handwritten signature in black ink that reads "Kevin L. Mannix". The signature is written in a cursive, slightly slanted style.

Kevin L. Mannix