



## Legislative Revenue Option: close estate tax loopholes

*Establish an Oregon gift tax & cap the use of our natural resource exemption*

### Introduction

Because Oregon has no gift tax, some Oregon taxpayers are transferring up to \$15 million to the next generation during their lives – and avoiding Oregon’s estate tax on those transfers. This is perfectly legal under existing laws.

In addition, the new farm/forest/fisheries estate tax exemption has no cap on the size of the estates which are eligible to use the provision. A cap of \$15 million would match the cap on the older natural resource credit.

### History/Issues

For decades states relied on the federal gift tax limitations to apply to state estate taxes. Since the federal exemption has grown to \$15 million while Oregon’s remains at \$1 million, a giant loophole has been created.

Similarly, when the legislature hastily passed a new farm/forest/fisheries estate tax provision in 2023, the fact that there was no limit on the size of estates eligible for the provision went unnoticed.

### Recommendation/Justification

Close these two estate tax loopholes:

The gift tax will apply to gifts made by an Oregon resident or nonresident on or after January 1, 2026, and shall apply to gifts that exceed the annual, per-recipient federal exclusion amount (\$19,000 for 2025, indexed for inflation). For Oregon residents, taxable gifts include real property or tangible personal property located in Oregon as well as intangible personal property located anywhere. For nonresidents, taxable gifts include only real property or tangible personal property located in Oregon. Though no tax will be due, taxpayers will be required to file an Oregon gift tax return to report all Oregon gifts above the federal exclusion amount made in a calendar year. The gift tax is unified with the estate tax, meaning that gifts above the exclusion amount that a decedent made during his or her lifetime are treated as part of the estate.

Natural resources estates have their choice of two provisions, a credit or an exemption. However, 2023’s exemption doesn’t currently provide the estate tax break only to smaller estates where the assets of the estate are largely natural resource property. Place a \$15 million cap on the size of the natural resource exemption that mirrors that of the natural resource credit.

*We read the bills and follow the money*