



Staff Present: Paul Warner, Legislative Revenue Officer  
Lizbeth Martin-Mahar, Economist  
Kristi Bowman, Committee Assistant

**TAPE 67, SIDE A**

002 Chair Butler Calls meeting to order at 1:02 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 2629

005 Martin-Mahar Gives overview of HB 2629 (Exhibit 1). The bill increases the gross estate value filing threshold to \$1.5M in tax year 2007 and to \$2 M for tax year 2008 and beyond. Discusses Oregon's current disconnect with federal tax rates. There will be parity with federal rates beginning in tax year 2008 and beyond.

033 Martin-Mahar Discusses the Preliminary Revenue Impact Statement (Exhibit 2). Will be updating information on the statement with new data received from the Dept. of Revenue.

058 Chair Butler Asks if there has been a discussion about operating costs for this bill at the Dept. of Revenue.

060 Martin-Mahar

Comments that she hasn't heard of any impacts and defers to Debra Buchanan at the Dept. of Revenue for follow-up. Adds that the reconnect component will be for only one year (2008).

- 081 J.L. Wilson Testifies in support of HB 2629 because it would prevent families and small business owners from having to sell assets to satisfy estate taxes. Gives anecdotal information on the impact of current law. Supports making the bill connect to the federal tax threshold for more than one year. The National Federation of Independent Business (NFIB) initiated the bill.
- 140 Joe Schweinhart Testifies in support of HB 2629 because the inheritance tax is unfair, and concurs with the information supplied in Wilson's testimony.
- 150 Chair Butler Comments to Wilson and Schweinhart regarding "estate flight" from Oregon and neighboring states' estate tax policies.
- 165 Wilson Adds additional testimony. Discusses a recent survey done by the National Federation of Independent Business (NFIB) comparing the Oregon business environment with other states. Most family-owned small businesses want to stay in Oregon, because "their roots are here."
- 173 Schweinhart Comments that the accumulation of wealth is over time, and family-owned businesses want to stay in Oregon
- 179 Rep. Galizio Asks Wilson what he would estimate the worth of the programs that are supported by estate taxes.

- 201 Wilson Responds that it would be difficult to put a dollar amount on the value. States that the value of his father's estate was built with after-tax dollars. Discusses how the inheritance in his family is going to help siblings who would otherwise be on welfare.
- 217 Rep. Komp Asks whether either organization has done its own research on the revenue impact.
- 225 Wilson Responds that NFIB is using the data in the Legislative Revenue Impact Statement.
- 229 Jody Wiser Testifies that this bill has a negative impact on people coming to Oregon to retire. Expresses concern that this bill connects to federal law threshold. Gives anecdotal information regarding the current estate tax impact. Supports the estate tax as it is now. States that only 1-2% of the richest families are paying the tax.
- 334 Chair Butler Asks Martin-Mahar about exemptions for family businesses or discounts for farmland assets.
- 340 Martin-Mahar Responds that if those exemptions were established in 1997, then they are still in effect.
- 358 Wiser

Continues testimony. Discusses different tax exemptions that only small businesses or owners of forestland, for example, are eligible for under current estate tax law.

**TAPE 68, SIDE A**

- 003 Don Schellenberg Supports HB 2629 because it is an important issue for agriculture. A family farm cannot be moved to another state like a small business can to escape estate taxes. Tax relief is important to family farms because it provides continuity and stability in the community and keeps the farms in production. Discusses farm land valuation issues.
- 043 Rep. Berger Asks what is the value of a family farm—what would be the impact of this bill on family farms.
- 068 Schellenberg Defines family farms as “a farm that is not held in a publicly held corporation.” About 98% of farms in OR are family farms. Discusses agriculture’s impact on the economy.
- 086 Chair Butler Adds information pertaining to family farm estate taxation. Further discussion with Rep. Berger on family farm exemptions and other estate tax issues.
- 152 Rep. Berger Asks how many farms were sold last year to satisfy taxes owed.
- 157 Martin-Mahar Responds that this data is not readily available, but can be researched by going through returns. Information can be supplied if the committee wishes.

191 Chair Butler Another public hearing for this bill is to be scheduled.

198 Rep. Hass Comments that the tables in current law have only been in effect for one tax year.

CLOSES PUBLIC HEARING FOR HB 2629

OPENS WORK SESSION FOR BILL INTRODUCTION

225 Warner Gives overview of Legislative Concepts (LC) 2104, 3124, 2952, and 2953. LC 3124 eliminates the Oregon inheritance tax on transfers of property beginning January 1, 2006. LC 2104 creates a Director of Legislative Audit Office and is an institutional change. LC 2952 and LC 2953 are both related to the current research and development tax credit.

259 Rep. Olson MOTION: MOVES THAT LCs 2104, 2952, 2953, AND 3124 BE INTRODUCED AS HOUSE REVENUE COMMITTEE BILLS.

270 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 7-0-2. ANSWERING AYE: HASS, BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, BUTLER. MEMBERS EXCUSED: BERGER, RILEY.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

1. 1. HB 2629, Staff Measure Summary, Martin-Mahar, 1 pg., 03/07/05
2. 2. HB 2629, Preliminary Revenue Impact Statement, Martin-Mahar, 1 pg., 03/07/05
3. 3. HB 2629, Research Report #1-05, Martin Mahar, 1 pg., 03/07/05
4. 4. LC 3124, Legislative Counsel, 21 pp., 03/02/05
5. 5. LC 2104, Legislative Counsel, 20 pp., 02/18/05
6. 6. LC 2952, Legislative Counsel, 3 pp., 03/03/05
7. 7. LC 2953, Legislative Counsel, 4 pp., 02/22/05