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Only a Handful of Oregonians Pay the Estate Tax, Study Shows

(Silverton) — Only a handful of Oregonians are subject to the federal estate tax, and their ranks will shrink further next year, according to a study released today.

Only 111 Oregon estates paid the federal tax in 2007, according to Citizens for Tax Justice's analysis of Internal Revenue Service data. The estate tax is typically paid in the year following the death, and preliminary data from the state's Public Health Division shows that there were 30,415 deaths in Oregon in 2006.

Thus, just four out of every 1,000 deaths in Oregon triggered the federal estate tax, according to the Washington, D.C.-based research institute. The ratio was 13 per 1,000 in 2000, before cuts to the estate tax were enacted in 2001 under the Bush Administration.

"If you attended 250 funerals in Oregon in 2006, odds are only one estate would have been subject to the federal tax," said Charles Sheketoff, executive director of the Oregon Center for Public Policy, who helped release the report today. "With its generous exemptions, the federal estate tax affects no one but the extremely wealthy, and even many of them avoid it with tax planning and charitable giving."

The amount of assets in an estate that are exempt from the federal estate tax has grown under the Bush Administration's tax cut scheme passed in 2001. That law increased the exemption to \$2 million per spouse, \$4 million per couple, in 2006 and will increase it again, to \$3.5 million per spouse, \$7 million per couple, in 2009. Citizens for Tax Justice notes that the 2009 increase in the exemption level means fewer estates will be subject to the tax.

Under 2001 law, the federal estate tax will disappear entirely in 2010 for one year. If Congress does nothing, in 2011 the estate tax exemption will revert to \$1 million, the level it would have been at if the 2001 law had not been passed.

"People have joked that '2010 is the year we throw mama from the train,' " said Sheketoff. "But it's more accurate to call it 'the year we throw what's left of tax fairness out the window.'"

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The sunset at the end of 2010 and return to the law that existed before the 2001 changes are forcing the hand of Congress to act soon, according to Sheketoff.

He is optimistic that Congress will settle the estate tax debate in 2009. "I've yet to meet someone who truly believes the 2010 repeal and the 2011 return to earlier tax levels are appropriate," Sheketoff said.

Oregon's congressional delegation will need to "step up and help protect the estate tax in 2009," according to Sheketoff. He argued that with routine estate planning, couples with more than \$7 million in assets can still avoid paying much or all of the federal estate tax upon death.

"The \$7 million per couple exemption is generous enough," said Sheketoff, who urged Congress "to go no further."

"It would be costly, unfair and unwise to weaken the federal estate tax to the point that even fewer pay the tax, and those who do pay contribute less than they would under the terms set for 2009," said Sheketoff.

"Given the challenges now facing our country that require substantial new investments, today's report makes the case for Congress to maintain this important revenue source that applies only to extremely wealthy households," he added.

Sheketoff's call for protecting the federal estate tax has been echoed by America's wealthiest individual, Warren Buffett. Testifying before a congressional committee last year, Buffett said, "Equality of opportunity has been on the decline. A progressive and meaningful estate tax is needed to curb the movement of a democracy toward a plutocracy."

"The federal estate tax was created nearly 100 years ago to avoid creating dynastic wealth that squelches opportunity for most Americans," said Sheketoff. "Warren Buffett understands the role of the estate tax, and so should Oregon's congressional delegation."

The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.