CHAPTER 577

AN ACT HB 3630

Relating to estate tax treatment of natural resource property; creating new provisions; amending ORS 118.010 and 118.145; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 118.145 is amended to read:

118.145. (1) As used in this section:

(a) "Eligible business entity" means a business entity that is owned 100 percent by family members or eligible entities.

(b) "Eligible entity" means an eligible business entity or an eligible trust.

(c) "Eligible trust" means a trust or subtrust whose permissible distributees are all family members or eligible entities.

[*(a)*] **(d)** "Family member" means a person within the third degree of relation, by blood, marriage, adoption, civil union or domestic partnership, to another person.

(e) "Interest in natural resource property" means:

(A) Any direct ownership interest in natural resource property;

(B) An ownership interest or beneficial interest in a business entity that owns natural resource property, either directly or indirectly through other business entities, but only to the extent of the value of that portion of the interest that is attributable to natural resource property and to the associated farm business, forestry business or fishing business owned by the decedent; or

(C) Any beneficial interest in a trust that owns natural resource property, but only to the extent of the value of that portion of the interest that is attributable to natural resource property and to the associated farm business, forestry business or fishing business owned by the decedent.

[*(b)*] **(f)** "Materially participate" means to engage in the active management, as defined in section 2032A of the Internal Revenue Code, of a farm business, forestry business or fishing business owned by the decedent on the date of the decedent's death. The Department of Revenue may adopt rules to administer this section consistent with this definition.

[*(c)*] **(g)** "Natural resource property" has the meaning given that term in ORS 118.140.

(h) "Permissible distributee" has the meaning given that term in ORS 130.010.

(i) "Relevant business days" means those days during which a person that is engaged in active management of natural resource property would customarily be expected to exercise significant management activities, given the nature of the industry in which the business is operating.

(2) An interest in natural resource property is exempt from the tax imposed under this chapter if:

(a) The [*property*] **interest** is held by a decedent for at least five years before the death of the decedent;

(b) During at least 75 percent of the **relevant business** days of each of the five calendar years immediately prior to **the** date of the decedent's death, the decedent or any family member of the decedent materially participates in the farm business, forestry business or fishing business;

(c) The interest is transferred, as a consequence of the decedent's death, to one or more family members of the decedent **or eligible entities** [*and is subsequently owned by family members of the decedent for at least five consecutive calendar years beginning with the calendar year immediately following the date of the decedent's death*]; and

(d) During [*at least 75 percent of the days of*] each of the five calendar years immediately following the date of the decedent's death, any family member of the decedent materially participates in the farm business, forestry business or fishing business.

(3) If, after the date of death of the decedent, natural resource property previously transferred from the decedent as a consequence of the decedent's death:

(a) Is subsequently transferred to a family member, the property shall be deemed to have been owned by the family member during the time that the property was held or deemed to have been held by the transferor.

(b) Is subsequently transferred to an eligible entity, the property shall be deemed to have been owned by the eligible entity during the time that the property was held or deemed to have been held by the transferor.

(c) Is subsequently transferred and replaced by other property in a like-kind exchange as provided in section 1031 of the Internal Revenue Code, or is otherwise replaced with other property within 180 days of the transfer, the replacement property shall be deemed to have been owned by the transferor during the time that the transferred property was held or deemed to have been held by the transferor.

[*(3)*] **(4)** An additional tax under ORS 118.005 to 118.540 shall be imposed if:

(a) [*The*] **An interest in** natural resource property for which an exemption is allowed under this section is, during the five calendar years following the date of the decedent's death, subsequently sold or otherwise transferred to a person other than a family member of the decedent **or an eligible entity;**

(b) The natural resource property is held by an entity that ceases to be an eligible entity because the permissible distributees or owners no longer consist solely of family members and the interest is deemed sold or otherwise transferred; or

[*(b)*] **(c)** The material participation requirement of subsection (2)(d) of this section is not met.

(5) Natural resource property may be replaced with real property or personal property after the exemption under this section is claimed and not result in a disposition subject to an additional tax if the replacement property is used in the operation of the farm business, forestry business or fishing business. Real property for which an exemption is claimed under this section may be replaced only with real property that would otherwise qualify as natural resource property, and that replacement must be made within one year to avoid a disposition and additional tax, except that a replacement of property that is involuntarily converted under section 1033 of the Internal Revenue Code must occur within two years.

[*(4)*] **(6)** The additional liability imposed under subsection [*(3)*] **(4)** of this section shall be the amount of additional tax that would have been imposed had the transferred [*property*] **interest** been included in the decedent's taxable estate. **The additional tax liability is the responsibility of the owner of the property at the time of the disposition or disqualifying event and is due within six months after the date on which the disposition or event occurs.** Upon receiving notice of a subsequent sale or other transfer of property for which an exemption has been claimed, or upon receiving notice that the material participation requirement of subsection (2)(d) of this section has not been met, the department shall immediately proceed to collect the additional tax.

[*(5)*] **(7)** An estate claiming the exemption under this section may not claim the credit allowed under ORS 118.140.

[*(6)*] **(8)** The exemption allowed under this section may not exceed $15 million for the estate.

SECTION 2. ORS 118.010 is amended to read:

118.010. (1) As used in this section:

(a) "Nonresident decedent" means an individual who is domiciled outside of Oregon on the date the individual dies.

(b) "Resident decedent" means an individual who is domiciled in Oregon on the date the individual dies.

(2) A tax is imposed upon a transfer of the property of each:

(a) Resident decedent; and

(b) Nonresident decedent whose estate includes any interest in:

(A) Real property located in Oregon; or

(B) Tangible personal property located in Oregon.

(3) The Oregon taxable estate to be used for purposes of computing the tax imposed under this section shall be the federal taxable estate:

(a) Increased by:

(A) The deduction for state estate, inheritance, legacy or succession taxes allowable under section 2058 of the Internal Revenue Code; and

(B) If the decedent is a surviving spouse owning the property at death, the value of the following property unless included in the federal taxable estate:

(i) Property for which a deduction for Oregon special marital property under ORS 118.016 was previously allowed; or

(ii) Property for which a separate Oregon election under section 2056 or 2056A of the Internal Revenue Code was previously allowed; and

(b) Reduced by:

(A) The value on the date of the decedent's death of all Oregon special marital property under ORS 118.013;

(B) The exemption allowed under ORS 118.145; and

(C) Any other applicable exclusions or deductions.

(4) The tax imposed under this section shall be calculated by applying the rates in the following table. If the Oregon taxable estate is at least the amount in column 1, but less than the amount in column 2, the tax is the amount in column 3, increased by the excess above the amount in column 1 multiplied by the percentage in column 4:

1	2	3	4
$1,000,000	$1,500,000	$0	10.0%
1,500,000	2,500,000	50,000	10.25%
2,500,000	3,500,000	152,500	10.5%
3,500,000	4,500,000	257,500	11.0%
4,500,000	5,500,000	367,500	11.5%
5,500,000	6,500,000	482,500	12.0%
6,500,000	7,500,000	602,500	13.0%
7,500,000	8,500,000	732,500	14.0%
8,500,000	9,500,000	872,500	15.0%
9,500,000		1,022,500	16.0%

(5)**(a)** In the case of a resident decedent owning, on the date of the decedent's death, real property located outside Oregon or tangible personal property located outside Oregon, the tax imposed under this section shall be the amount determined under subsection (4) of this section multiplied by a ratio.

(b) The numerator of the ratio**:**

(A) Shall be the sum of the value of the decedent's real property located in Oregon, tangible personal property located in Oregon and intangible personal property.

(B) [*The numerator*] May not include any intangible personal property subject to a tax imposed, as a result of the death of the decedent, by another state or country.

(C) May not include the value of the exemption allowed under ORS 118.145.

(c) The denominator of the ratio shall be the total value of the decedent's gross estate**, less the value of the exemption allowed under ORS 118.145**.

(6) In the case of a nonresident decedent owning, on the date of the decedent's death, real property located in Oregon or tangible personal property located in Oregon, the tax imposed under this section shall be the amount determined under subsection (4)

of this section multiplied by a ratio. The numerator of the ratio shall be the sum of the value of the decedent's real property located in Oregon and tangible personal property located in Oregon**, less the value of the exemption allowed under ORS 118.145**. The denominator shall be the total value of the decedent's gross estate**, less the value of the exemption allowed under ORS 118.145**.

(7) Payment, in whole or in part, of estate taxes from funds of an estate or trust on any benefit subject to tax under ORS 118.005 to 118.540 is not to be considered a further taxable benefit, when such payment is directed by the decedent's will or by a trust agreement.

(8)(a) If the federal taxable estate is determined by making an election under section 2031(c), 2032, 2032A, 2056 or 2056A of the Internal Revenue Code or another provision of the Internal Revenue Code, or if a federal estate tax return is not required under the Internal Revenue Code, an executor may make separate elections for state estate tax purposes under that same provision.

(b) An executor may make elections under ORS 118.013, 118.140 and 118.145 and section 2056 of the Internal Revenue Code for state estate tax purposes.

(c) Elections described in this subsection are irrevocable.

SECTION 3. The amendments to ORS 118.010 and 118.145 by sections 1 and 2 of this 2025 Act apply to estates of decedents dying on or after July 1, 2025.

SECTION 4. This 2025 Act takes effect on the 91st day after the date on which the 2025 regular session of the Eighty-third Legislative Assembly adjourns sine die.

Approved by the Governor July 24, 2025
Filed in the office of Secretary of State July 28, 2025
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