CHAPTER 595

AN ACT SB 485

Relating to estate tax; creating new provisions; amending ORS 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) "Family member" means a person within the third degree of relation, by blood, marriage, adoption, civil union or domestic partnership, to another person.

(b) "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) "Natural resource property" has the meaning given that term in ORS 118.140.

(d) "Small forestland owner" means a decedent who owns, throughout the five years immediately prior to the date of the decedent's death, forestland that is at least 10 acres but fewer than 5,000 acres.

(2) **Except as provided in subsection (3) of this section,** an interest in natural resource property is exempt from the tax imposed under this chapter if:

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

(b) During at least 75 percent of the days of each of the five calendar years immediately prior to 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 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) An interest in natural resource property that is forestland is exempt from the tax imposed under this chapter if:

(a) The decedent is a small forestland owner;

(b) The forestland property is held by the decedent for at least five years immediately prior to the date of the decedent's death;

(c) During the five calendar years immediately prior to the date of the decedent's death, the decedent or any family member of the decedent actively manages the forestland property and maintains documentation of activities that are appropriate or customary silvicultural or management activities given the current phase in the forest management cycle for a parcel of forestland property;

(d) The interest is transferred, as a consequence of the decedent's death, to one or more family members of the decedent 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

(e) During the five calendar years immediately following the date of the decedent's death, any family member of the decedent actively manages the forestland property and maintains documentation of activities that are appropriate or customary silvicultural or management activities given the current phase in the forest management cycle for a parcel of forestland property.

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

(a) The 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

(b) The material participation requirement of subsection (2)(d) **or (3)(e)** of this section is not met.

[*(4)*] **(5)** 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 been included in the decedent's taxable estate. 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) **or (3)(e)** of this section has not been met, the department shall immediately proceed to collect the additional tax.

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

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

SECTION 2. The amendments to ORS 118.145 by section 1 of this 2025 Act apply to estates of decedents who die on or after January 1, 2026.

SECTION 3. 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
Effective date September 26, 2025