COMMON SENSE INSTITUTE



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OREGON'S ESTATE TAX:

CAPTURING GREATER ECONOMIC ACTIVITY

AUTHORS: MARK MCMULLEN, SERRA KIRSCH & THOMAS YOUNG, PH.D.

ABOUT THE AUTHORS



Mark McMullen is the VP of Policy and Research with CSI Oregon. He served as the longest-tenured Chief Economist for the State of Oregon under three governors. Mark accumulated 14 years of invaluable experience at the state. Before joining CSI, Mark held prominent roles, including Director of Consulting at Moody's Analytics and researcher at the Congressional Budget Office. He earned his undergraduate degree from Pomona College and completed his graduate studies at the University of Pennsylvania.



Serra Kirsch recently earned a Masters in Economics from Portland State University, where she specialized in empirical macroeconomics and international finance. Before that, she spent two years conducting research in health economics, focusing on the impact of tobacco control policies. She completed her undergraduate education in Industrial Engineering and Economics in Istanbul. Growing up in Turkey, she developed a strong interest in working on emerging markets.



Thomas Young is a Senior Economist with CSI. He did his Ph.D. in Business Economics with fields in Econometrics, Industrial Organization, and Finance. He has been involved in state-level policy work for 20 years, including having done economic impact studies across over 90 industries and 25 states.

ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Oregon's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Oregonians. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Oregonians are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

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INTRODUCTION

Oregon imposes a state estate tax on the transfer of assets at death. The tax applies when the total value of an estate exceeds the state's filing and exemption thresholds of $1 million or more. Oregon's estate tax exemption threshold is currently $1 million, placing it among the lowest state estate tax thresholds in the country.[i] Estates above the applicable filing threshold must file a return and may owe estate tax.[ii]

Oregon's estate tax rates are graduated, ranging from 10% to 16%. Unlike the federal estate tax system, Oregon does not provide automatic portability of unused exemptions between spouses. In addition, the $1 million threshold is not indexed to inflation. As asset values, home prices, and other measures of household wealth increase over time, a fixed threshold can result in a growing number of estates becoming subject to filing requirements and potential tax liability.

Oregon lawmakers have considered a number of proposals in recent legislative sessions to modify the estate tax, including changes to the exemption threshold, indexing provisions, and the tax rate structure.

These policy questions have important economic implications. This report examines Oregon's current estate tax system, how it compares with estate taxes in other states, how a fixed threshold may affect the number of estates subject to the tax over time, and the potential demographic, economic, and revenue effects associated with the tax.

KEY FINDINGS

- Oregon's estate tax collections have more than tripled over the past decade.
  - Oregon is one of 12 states that impose an estate tax.
  - The state has the lowest estate tax exemption threshold in the country, at $1 million, and a top marginal estate tax rate of 16%.
  - At current trends, by 2050, the number of estate tax returns is projected to increase 251% relative to the number of returns in 2023. Over that same time horizon, the **total population is expected to grow only 20%. The number of Oregon residents over age 65 is expected to increase 46%.**
- The share of **deaths subject to filing an estate tax is expected to more than double over the coming 25 years, from 8% today to 20% in 2050.**
- Currently, Oregon's exemption threshold, set at $1 million, is fixed, meaning it does not grow relative to incomes, inflation, or any other metric. If the threshold had been allowed to automatically increase from year to year, estate tax liability would be much lower. Indexing since 2002, for example, would have resulted in a threshold of:
  - $1.90 million if indexed to consumer prices;
  - $3.15 million if indexed to home values; or
  - $6.74 million if indexed to the S&P 500.
- Modeling results suggest that Oregon's estate tax is associated with a lower population of individuals aged 65 and over compared with states without an estate or inheritance tax. Phasing out the estate tax, while reducing revenue in the short run, is estimated by the model to result in greater economic activity over time:
  - 116,000 more individuals living in Oregon;
  - 54,000 more employed individuals in Oregon;
  - 35,000 more individuals in the labor force;
  - An extra $11.3 billion in GDP; and
  - An additional $19.2 billion in sales, output.
- Among states with an estate tax, the data show a slight downward pattern between the top marginal estate tax rate and the share of the population aged 65 and over. However, there is considerable variation across states, and the data do not show a clear relationship between the two measures.

BACKGROUND AND ANALYSIS

Legislative History

First enacted in 1903[iii], Oregon has changed its inheritance and estate tax numerous times. Prior to 1978, the tax was calculated as a variable percentage of the taxable estate value, depending on the size of the transfer and the beneficiary's relationship to the decedent. In 1977, the legislature simplified the tax structure, setting a flat 12% rate on net taxable estate value for all beneficiaries and initiating a gradual repeal. By January 1, 1987, the statutory inheritance tax rate was reduced to zero, leaving only what was referred to as the "pick-up tax," which matched the maximum state inheritance tax credit allowed under federal law. This mechanism ensured Oregon could impose an inheritance tax on residents without increasing the overall tax burden.

The 2001 federal Economic Growth and Tax Relief Reconciliation Act significantly altered estate tax laws, including phasing out the state tax credit. This provision eliminated states' ability to claim a portion of federal estate tax liability by 2005. In response, in 2003 Oregon passed HB 3072, tying its estate tax laws to the Internal Revenue Code as of December 31, 2000. From 2003 to 2011, Oregon's filing requirements diverged from federal rules, sometimes requiring estates to file state returns even when a federal return was unnecessary.

Efforts to protect family-owned farms, fishing businesses, and small forests led to passage of HB 3201 in 2007. This legislation increased the filing threshold for these estates to $7.5 million. However, implementation proved challenging, leading to a revised credit schedule for small family-owned natural resource properties in 2008. This credit also faced implementation challenges leading the state to enact a similar exemption in 2023.

In 2011, HB 2541 restructured Oregon's inheritance tax into the current system for deaths beginning January 1, 2012. The 2011 (2012 applicability) legislation included a credit for natural resource properties. In 2015, SB 864 refined the Natural Resource Credit (NRC), ensuring qualification was based solely on property within Oregon. To qualify, at least 50% of the Oregon-adjusted gross estate value must consist of natural resource property. Some property owners have had difficulty qualifying for the NRC. This problem led policymakers to enact an alternative exemption, Natural Resource Exemption, SB 498 in 2023, which makes qualifying for the tax credit more straightforward for some residents.

During the 2025 and 2026 legislative sessions, lawmakers considered multiple proposals to modify Oregon's estate tax, including proposals to increase the exemption threshold, change tax rates, or more closely align Oregon's system with the federal estate tax.

During the 2026 regular session, SB 1511 emerged as one of the more developed proposals. As amended in the Senate, the measure would have converted the existing $1 million exclusion into a $2.5 million deduction, raised the filing threshold, provided for inflation adjustments, phased in tax liability above the threshold, and modified the estate tax rate structure. The Senate Committee on Finance and Revenue recommended passage of the amended measure, and the bill subsequently moved to the House Committee on Revenue.

The 2026 regular session adjourned on March 6, 2026, without SB 1511 being enacted. Accordingly, Oregon's existing estate tax structure remains in place. SB 1511 nevertheless provides a recent example of the types of changes policymakers have considered, particularly increasing and indexing the threshold while modifying the rate structure.

Oregon's Estate Tax and Its Position Relative to Other States

Oregon is one of 12 U.S. states, along with the District of Columbia that impose an estate tax[iv] on top of the federal estate tax. The exemption threshold is set at the lowest in the country and is not indexed to inflation. For the 2026 tax year, Oregon's marginal estate tax rates range from 10% to 16%, with the tax applying to taxable estate value above the $1 million threshold.

Estates with a gross value $1 million or more generally must file an Oregon estate tax return. For the 2026 tax year, marginal estate tax rates range from 10% to 16%, depending on the value of the taxable estate. The tax is calculated based on the portion of the taxable estate above the $1 million exemption. The 2026 tax rates are:

- Up to $1 million: 0%
- $1 million to $1.5 million: 10%
- $1.5 million to $2.5 million: 10.25%
- $2.5 million to $3.5 million: 10.50%
- $3.5 million to $4.5 million: 11.00%
- $4.5 million to $5.5 million: 11.50%
- $5.5 million to $6.5 million: 12.00%
- $6.5 million to $7.5 million: 13.00%
- $7.5 million to $8.5 million: 14.00%
- $8.5 million to $9.5 million: 15.00%
- Over $9.5 million: 16.00%.

The estate tax provides General Fund resources, but Oregon's system differs substantially from both the federal estate tax and the systems used in other states. As Table 1 shows, Oregon has the lowest exemption threshold among jurisdictions that impose an estate tax. Its top marginal rate of 16% is shared by several other jurisdictions, while Washington and Hawaii impose higher maximum rates of 20%. Oregon therefore stands out most clearly for the relatively low value at which estates can become subject to the tax.

TABLE 1: ESTATE TAX THRESHOLDS AND RATES BY STATE

Estate Tax Exemptions and Rates by State, 2026	Estate Tax Exemption	Estate Tax Rate
Oregon	$1,000,000	10%-16%
Rhode Island	$1,838,056	0.8%-16.0%
Massachusetts	$2,000,000	0.8%-16.0%
Minnesota	$3,000,000	13%-16%
Washington	$3,000,000	10%-20%
Illinois	$4,000,000	0.8%-16.0%
District of Columbia	$4,988,400	11.2%-16.0%
Maryland	$5,000,000	0.8%-16.0%
Vermont	$5,000,000	16%
Hawaii	$5,490,000	10%-20%
Maine	$7,160,000	8%-12%
New York	$7,350,000	3.06%-16.00%
Connecticut	$15,000,000	12%

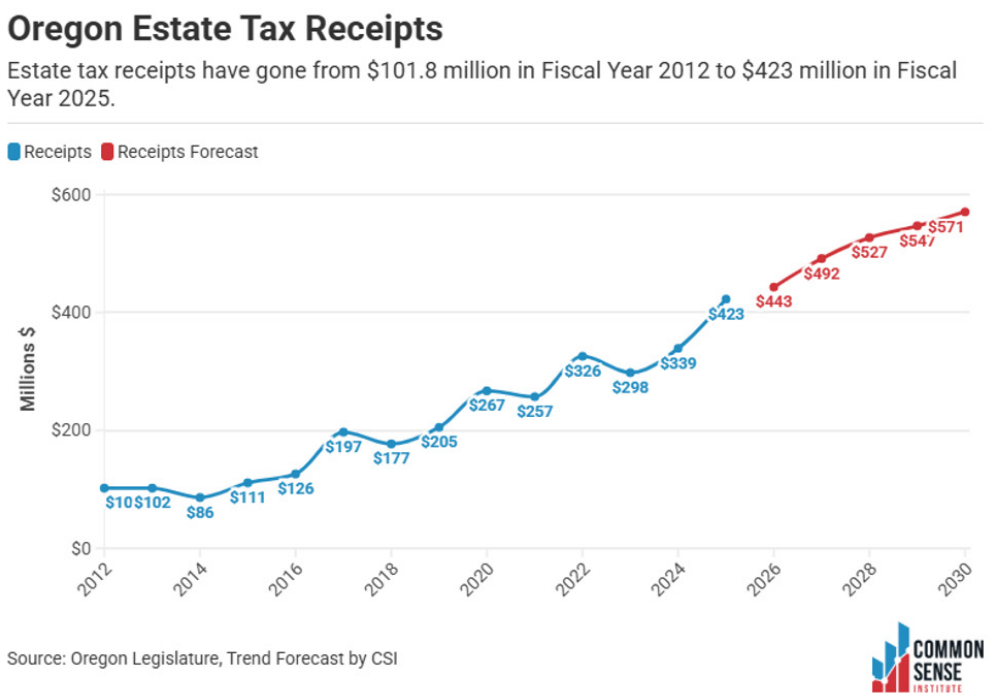
Source: CSI Compilation • Note: Washington's $3 million exemption and 10%-20% rate schedule apply to deaths occurring on or after July 1, 2026. Different thresholds and rates applied during the first half of 2026.

OREGON ESTATE TAX COLLECTIONS

As Figure 1 shows, Oregon's estate tax collections have more than tripled since FY 2012, increasing from $102 million in Fiscal Year (FY) 2012 to $423 million in FY 2025. Should this trend persist, revenue from the estate tax will reach close to or surpass $600 million by FY 2030.

Prior to this surge, estate tax collections had been relatively stable for many years — around $100 million per year. Although the number of deaths in Oregon has risen over the past decade, this factor alone cannot explain the growth. The increase is at least somewhat attributable to the fact that the exemption level is fixed. A larger share of estates now fall above Oregon's taxable threshold. Indeed, a significant factor in the growth of overall collections has been large gains in net worth among Oregon's wealthiest households so that more and more residents are subject to the 16% top rate. (Wealthy filers derive a much larger share of their net worth from stocks, business income, and other investment instruments, all of which have been on an extended bull run in recent years.) Although these filers are few in number, they account for 44% of overall estate tax collections based upon the most recent publicly available information.

FIGURE 1: OREGON ESTATE TAX RECEIPTS



WHO PAYS OREGON'S ESTATE TAX?

Oregon's estate tax applies to taxable estate value above the $1 million exemption threshold. As shown in Table 2, tax year 2023 returns indicate that estates with taxable estate values above $9.5 million accounted for 44% of total payable tax. Estates with taxable values of $2.5 million or more accounted for approximately 82% of total payable tax.[v]

TABLE 2: STATISTICS ON TAXABLE ESTATES

Statistics on Taxable Estates

Taxable Estate Value	Number of Estates	Num of Returns as % of total	Payable Tax (millions $)	Tax as a % of total
Under $1M	923	29%	-	0%
$1M-$1.5M	1003	32%	$17.20	4%
$1.5M-$2.5M	634	20%	$54.00	14%
$2.5M-$3.5M	244	8%	$43.10	11%
$3.5M-$4.5M	107	3%	$29.30	8%
$4.5M-$5.5M	70	2%	$26.70	7%
$5.5M-$6.5M	40	1%	$16.30	4%
$6.5M-$7.5M	13	0%	$7.30	2%
$7.5M-$9.5M	33	1%	$22.70	6%
More than $9.5M	67	2%	$167.90	44%
Total	3134	100%	$384.50	100%

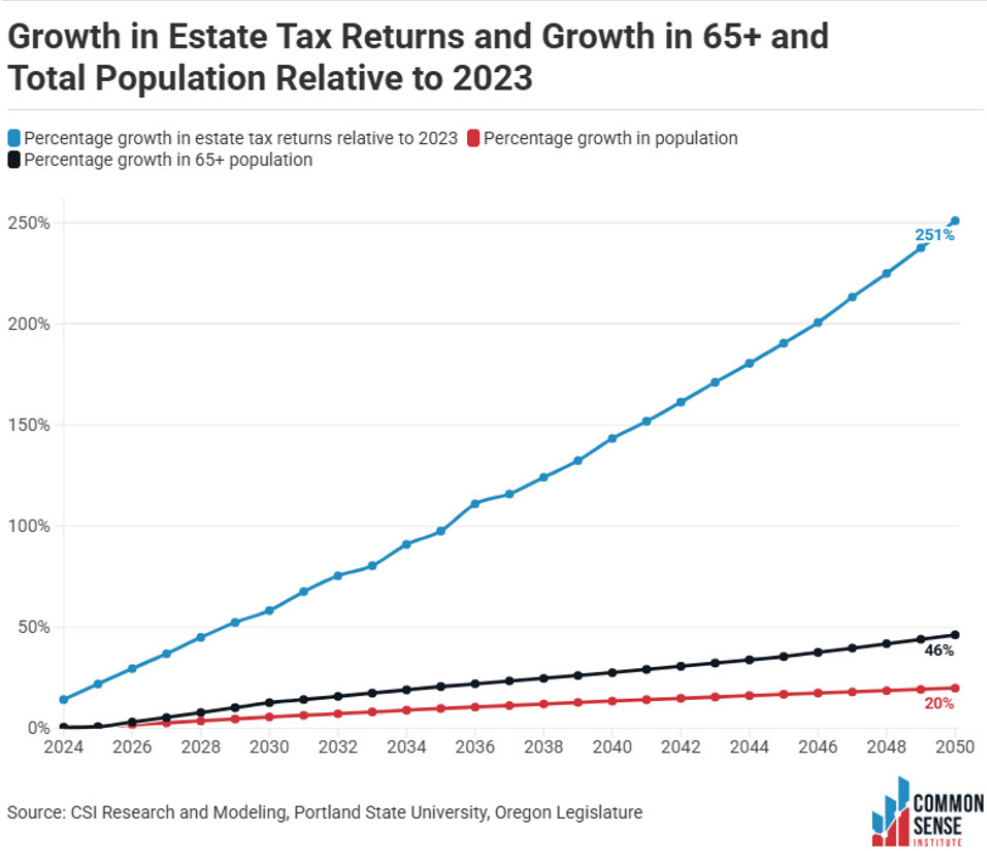
Source: Oregon Legislative Revenue Office

WHO WILL PAY OREGON'S ESTATE TAX IN THE FUTURE?

Not only is Oregon's estate tax exemption threshold low relative to other states, but it is also fixed, meaning that it remains unchanged over time.

Since the threshold does not adjust for inflation or growth in asset values, Oregon's estate tax is projected to affect an increasing share of estates over time. Based on current trends, the number of estate tax returns is projected to increase by 251% from 2023 to 2050, while the share of deaths associated with an estate tax return is projected to rise from about 7% in 2023 to nearly 20% by 2050.

FIGURE 2: GROWTH IN ESTATE TAX RETURNS AND GROWTH IN 65+ RELATIVE TO 2023

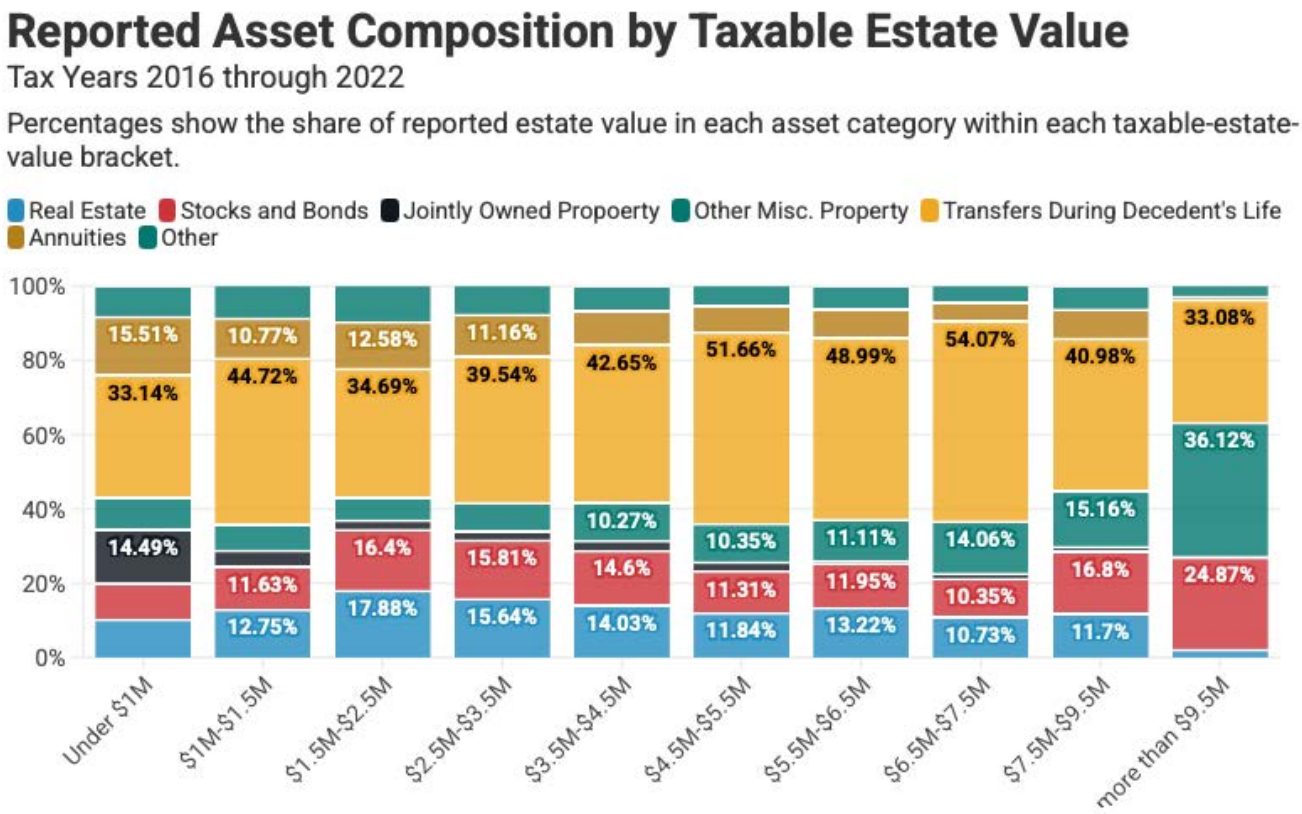


Source: CSI Research and Modeling, Portland State University, Oregon Legislature

WHAT GENERATES ESTATE TAX LIABILITY?

Oregon's estate tax return requires filers to itemize the composition of their estates, allowing CSI to examine how reported estate values are distributed across asset categories at different taxable-estate-value levels. As shown in the following figure, the composition of reported estate value varies considerably across taxable-estate brackets. For example, the share of estate value reported as real estate is higher across the $2.5 million to $7.5 million brackets than among estates with taxable values above $9.5 million.[1]

FIGURE 3: REPORTED ASSET CONTRIBUTION BY TAXABLE ESTATE VALUE



Source: Oregon Department of Revenue • Categories are based on Oregon estate tax return schedules; Schedules C, D, and H are combined as "Other." Ownership structure can affect the schedule on which an asset is reported.

1 According to the Oregon Department of Revenue, ownership structure can affect where an asset is reported on an estate tax return. As a result, the reported categories may not correspond directly to the underlying asset type.

INFLATION-ADJUSTING THE ESTATE TAX THRESHOLD

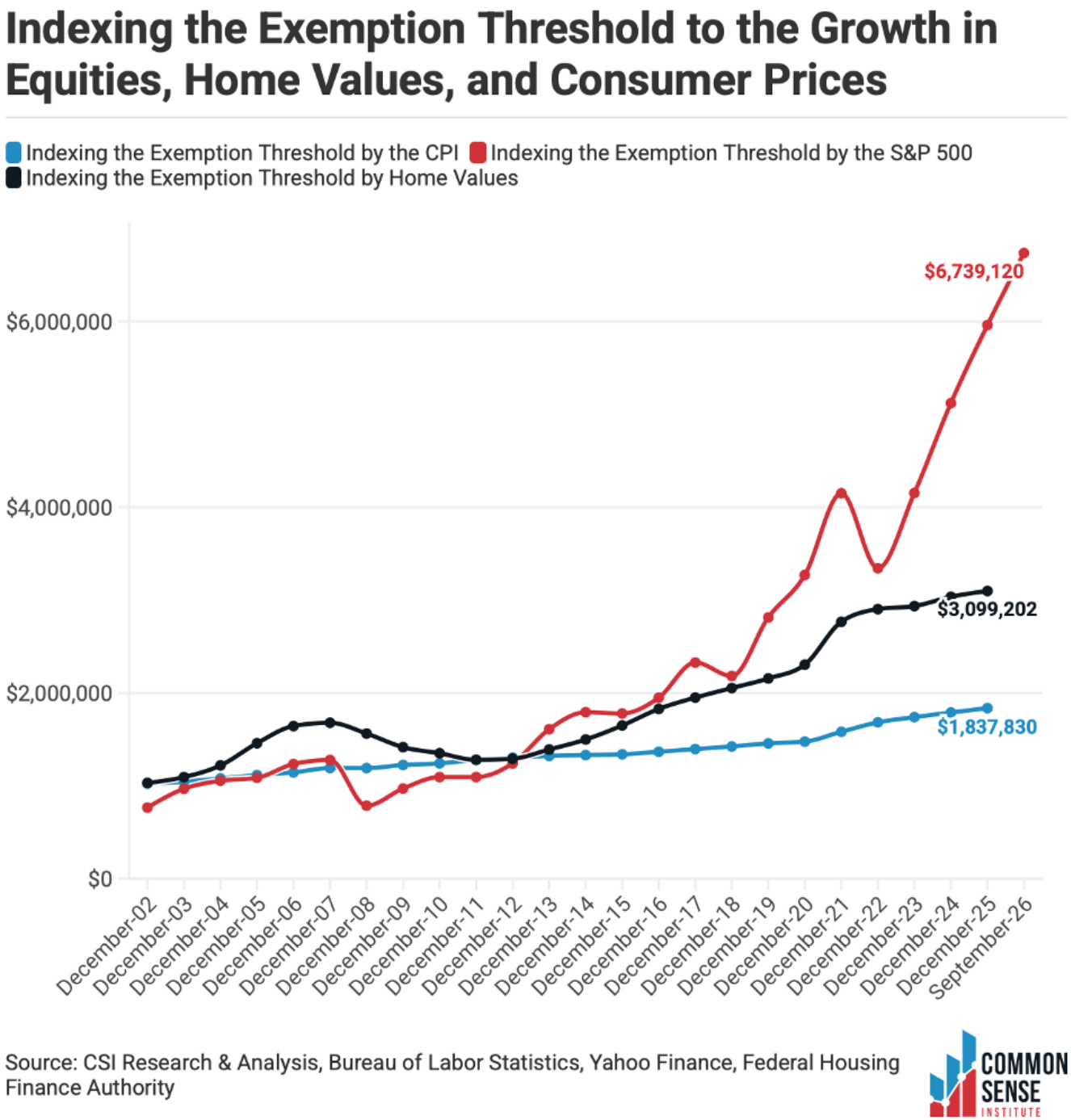
Oregon used a $1 million inheritance tax threshold for decedents dying in 2002. After temporarily lower filing thresholds from 2003 through 2005 to $700,000 (2003), $850,000 (2004), and $950,000 (2005), the $1 million threshold took effect again in 2006 and has remained at that level under the current estate tax.[vi]

Since 2002, Oregon home values have increased by approximately 215%, the S&P 500 has increased by approximately 574%, and consumer prices have increased by approximately 90%. Because Oregon's estate tax exemption threshold is fixed, rather than indexed to changes in prices or asset values, an increasing number of estates may exceed the threshold over time.

Indexing the estate tax exemption amount to a metric such as consumer prices or home values would slow the growth in the number of estates subject to the tax. For example, as the following figure shows, if the current $1 million threshold had been allowed to automatically increase from year to year starting in 2002, it would have resulted in thresholds of:

- $1.90 million if indexed to consumer prices[vii]
- $3.15 million if indexed to home values[viii]; or
- $6.74 million if indexed to the S&P 500[ix].

FIGURE 4: INDEXING THE EXEMPTION THRESHOLD TO THE GROWTH IN EQUITIES, HOME VALUES, AND CONSUMER PRICES



Source: CSI Research & Analysis, Bureau of Labor Statistics, Yahoo Finance, Federal Housing Finance Authority

THE DEMOGRAPHIC IMPACT

Given that Oregon residents face a burdensome estate tax system, the question often gets asked: Do individuals who may soon be subject to Oregon's estate tax choose to leave the state in order to avoid paying the levy? While there are avenues to mitigate estate tax liability, including establishing family trusts, a large anticipated estate tax bill may tip the scales for households considering relocation anyway. CSI modeled the impact on migration using annual estimates of age group populations by state from 1980 to 2023[x]. The result of the simple panel regression indicates states with an estate or inheritance tax are missing, on average, 8,732 individuals aged 65 and over compared to states without an estate or inheritance tax. This finding suggests that Oregon's estate tax may be associated with differences in the population aged 65 and over, potentially leading to broader economic consequences if migration is one of the contributing factors.[2]

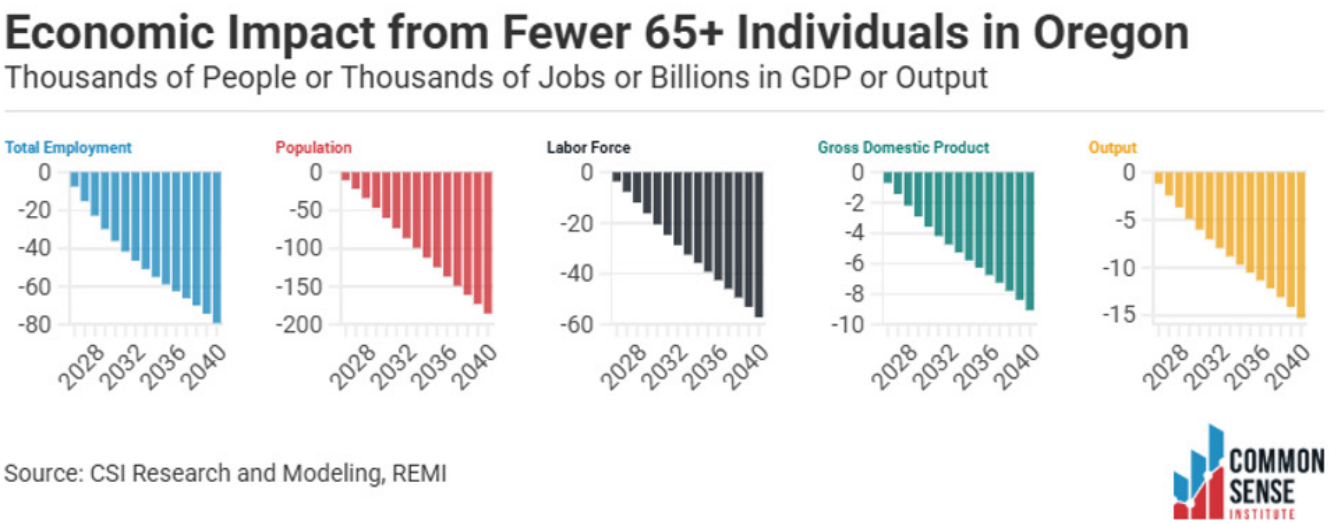
2 Further detail behind the models is given in the Appendix.

THE ECONOMIC IMPACT FROM THE DEMOGRAPHIC IMPACT

Individuals aged 65 and over generate economic activity. Using Regional Economic Models Incorporated's (REMI) dynamic multiplier system, CSI estimated the economic impact of the missing 8,732 individuals annually. As the following figure shows, by 2035 losing these retirees would result in:

- 125,000 fewer people in Oregon;
- 59,000 fewer employed individuals in Oregon;
- 39,000 fewer people in the labor force;
- A $6.3 billion reduction in GDP; and
- A $10.5 billion reduction in sales, or output.

FIGURE 5: ECONOMIC IMPACT FROM THE DEMOGRAPHIC IMPACT



Source: CSI Research and Modeling, REMI

COMBINING THE REVENUE IMPACT AND THE DEMOGRAPHIC IMPACT

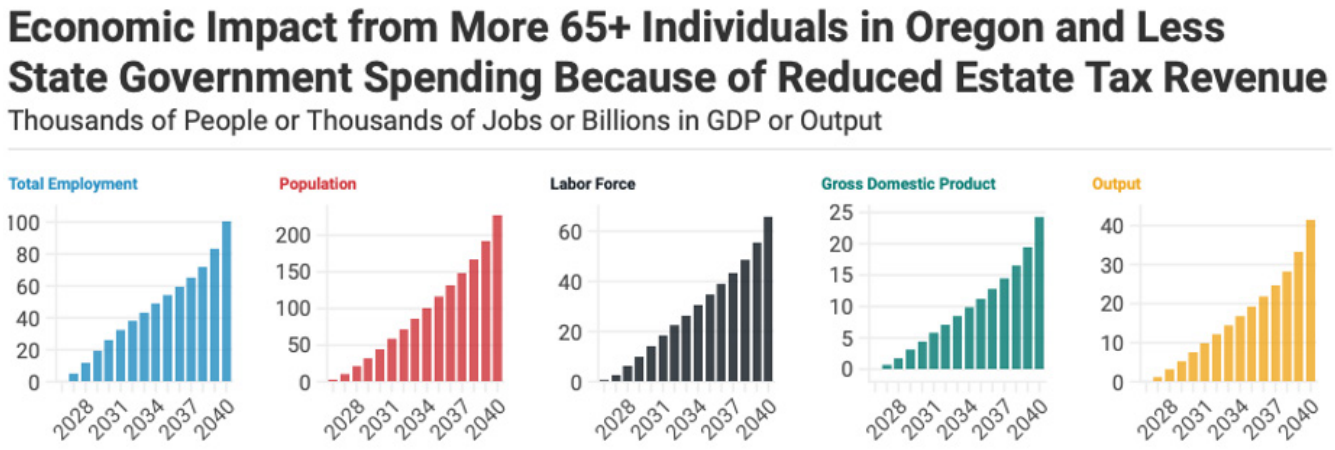
Estate tax collections allow the state to provide additional public services. This benefit becomes smaller as households may leave the state to avoid the tax. Over time, as more households are impacted by the estate tax and their tax bills grow, any associated outmigration could further erode the impact of the revenue gains.

CSI input these two effects into the REMI model to get a sense of the net economic benefit. First, a reduction in static government spending by the amount of the estate tax and growing by 10% in each year thereafter, and second, an increase in the initial population aged 65 and over by 8,732.

As the following figure shows, by 2035 the two forces combined would result in:

- 116,000 more individuals in Oregon;
- 54,000 more employed individuals in Oregon;
- 35,000 more individuals in the labor force;
- $11.3 billion in additional GDP; and
- $19.2 billion in additional sales, output.

FIGURE 6: ECONOMIC IMPACT FROM THE REDUCED GOVERNMENT REVENUE + DEMOGRAPHIC SHIFTS



Source: CSI Research and Modeling, REMI

These findings indicate that estate tax-related migration may have a compounding effect on Oregon's economic growth consistent with the 2004 and 2010 studies on the estate and inheritance taxes and property taxes that are cited later in this report. While research on property taxes demonstrates targeted tax relief programs such as homestead exemptions and property tax freezes can slow out-migration and help to retain older populations, studies on estate and inheritance taxes provide direct evidence that high-net-worth individuals relocate to avoid such taxes. Indeed, as discussed previously, the 2004 study determined states with higher estate tax rates experienced a measurable decline in the number of elderly individuals filing federal estate tax returns, suggesting a direct link between estate tax burdens and migration.

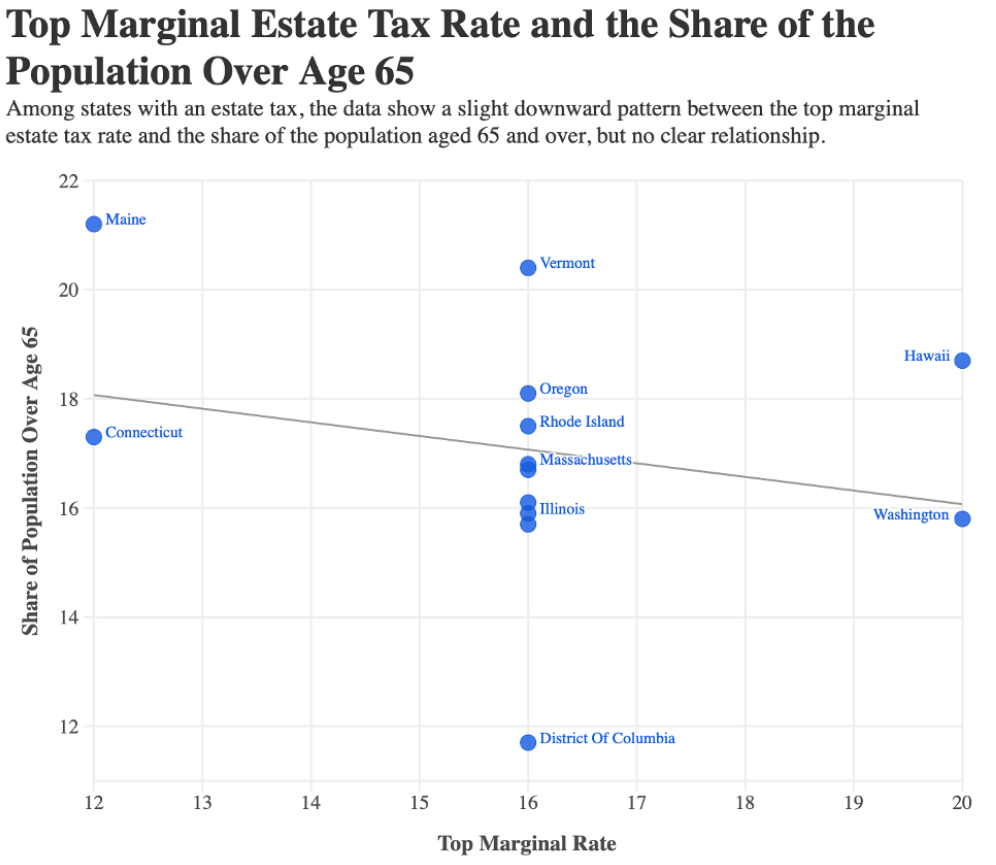
Oregon's estate tax currently generates revenue for the state, but at the potential cost of long-term economic growth. If high-net-worth individuals choose to relocate to avoid estate taxes, the state may forgo other tax revenues, particularly from personal income taxes, as well as from the economic activity driven by these individuals' spending, investment, and local business engagement.

Adjusting Oregon's estate tax exemption threshold could help mitigate any potential migration effect, retain retirees, and preserve the state's broader economic stability. While the static fiscal impact of proposed estate tax reforms will result in a reduction in state revenue, the broader economic gains — both in terms of retained population and increased economic activity — may offset this revenue loss over time. Adjusting Oregon's estate tax policy could limit tax-induced migration and support long-term economic growth.

HOW DO ESTATE TAX RATES RELATE TO THE SHARE OF OLDER OREGONIANS?

Would increasing the top marginal estate tax rate affect the share of older Oregonians living in the state? The following figure looks at the share of the population aged 65 and over and the top marginal estate tax rate for states with an estate tax. While the data show a slight downward pattern, there is considerable variation across states and no clear relationship between the two measures. The figure should therefore be interpreted with caution and does not, on its own, indicate that estate tax rates affect where older residents choose to live.

FIGURE 7: TOP MARGINAL ESTATE TAX RATE AND SHARE OF THE POPULATION OVER AGE 65



Source: Tax Foundation, Census Bureau, Moody's Analytics

BOTTOM LINE

Oregon's estate tax collections have surged, providing significant support to the General Fund. At the same time, the tax is an outlier relative to other states.

The bigger the difference in tax systems across areas, the larger the incentive becomes for some taxpayers to change their behavior to reduce what they owe. In the case of Oregon's estate taxes, the primary economic distortion of concern is the potential for older households to choose to leave the state. Washington state does not have a broad income tax and year after year, Oregon has lost population to Washington.

Although there has been some evidence that Oregon's estate tax has resulted in some population outflows to date, the state is now in uncharted territory. Estate tax liability is larger than ever before and will continue to grow rapidly going forward.

Estate taxes also do not exist in a vacuum. They are only one part of Oregon's overall tax system. High-income households have seen their tax bills increase significantly because the state's income tax, like the estate tax exemption threshold, is fixed. More people are subject to the highest rate. Also, localities have imposed substantial taxes on high-income households. A large estate tax bill could be the final straw for some households considering whether to leave the state.

APPENDIX

This section provides the empirical estimate of the demographic impact. By way of comparison, a study from 2004[xi] also provides empirical evidence that high state estate taxes reduce the number of high-net-worth elderly individuals residing in states. This research, which analyzed federal estate tax return data from 1965 to 1998, found a one percentage point increase in a state's estate and inheritance tax rate led to a 1.4% to 2.7% decline in the number of federal estate tax returns filed in that state. For estates valued at more than $5 million, the number of federal estate tax returns filed in a state declined by nearly 4% for each one-percentage-point increase in the estate and inheritance tax rate. These findings are in line with CSI's regression results, suggesting Oregon's estate tax structure is likely contributing to the outmigration of retirees.

Additionally, tax-related migration behavior is not unique to estate taxes. A relevant study conducted in 2010[xii] regarding property taxes and elderly mobility found tax burdens influence relocation decisions. This research determined a $100 increase in annual property taxes leads to a 0.73 percentage point increase in the two-year mobility rate of homeowners over the age of 50, representing an 8% increase from the baseline mobility rate. This finding suggests tax-related financial burdens, whether ongoing like property taxes or one-time like estate taxes, can have a measurable effect on migration.

Although property and estate taxes operate differently, both contribute to the financial considerations of older individuals. Property taxes impose a continuous cost while estate taxes affect the wealth transfer decisions of high-net-worth individuals. Still, both create incentives for relocation. If elderly homeowners respond to relatively small property tax increases by moving, they may be even more likely to relocate if an estate tax could significantly impact their heirs. Given that, at $1 million, Oregon has the lowest estate tax exemption threshold among states that impose an estate tax, the state may be experiencing a migration effect similar to that observed in the 2010 property tax study.

By applying this framework, the outmigration of older individuals in Oregon may not just be a result of estate tax liability at the time of death, but also a proactive decision to relocate before their estates become taxable, similar to how elderly homeowners respond to property tax burdens. This determination reinforces the argument that Oregon's estate tax policy may be contributing to outmigration of the state's older population.

Panel Regression Result

The following Table contains the first regression result, where the dependent variable is the population over age 65 in each state, L1. captures the first lag, and "HasEstate|Inher Tx" captures whether a state has an estate or inheritance tax.

Overall, as shown by the coefficient on "HasEstate|Inher Tx", the impact of an estate tax is negative, meaning that states with an estate tax lose people age 65 and above (at least on a correlation basis).

REGRESSION RESULT

FIGURE 8: PANEL REGRESSION RESULT

Age 65 and over (thousands)	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
L1.	1.032	.001	1255.22	0	1.031	1.034	***
Has Estate|Inher Tx	-8.732	.672	-13.00	0	-10.048	-7.416	***
Constant	-.763	1.18	-0.65	.518	-3.075	1.549	

Mean dependent var	665.664	SD dependent var	747.275
Overall r-squared	1.000	Number of obs	2193
Chi-square	1853391.097	Prob > chi2	0.000
R-squared within	0.998	R-squared between	1.000

**** p<.01, ** p<.05, * p<.1*

Lasso Regression Result

To further check elderly taxpayers' migration, CSI performed a Lasso regression that included fixed effects for each state and their temperature (acknowledging states with milder climates attract retirees).

LASSO REGRESSION

FIGURE 9: LASSO REGRESSION RESULT

Double-selection linear model
Number of obs = 2,200
Number of controls = 51
Number of selected controls = 50
Wald chi2(1) = 918.20
Prob > chi2 = 0.0000
Robust clustering

Age65andoverperpopulation	Coefficien	std. err.	z	Pr.	[95% conf.	interval]
Has Estate or Inheritance Tax	-0.027	0.001	-30.3	0	-0.029	to -0.026

Note: Chi-squared test is a Wald test of the coefficients of the variables of interest jointly equal to zero. Lassos select controls for model estimation.

The -0.027 result shown in the table above suggests states with estate or inheritance taxes generally have fewer individuals aged 65 and over as a share of the population by 2.7 percentage points. Converting the 2.7% to the number of individuals aged 65 and over equates to 120,000 individuals in Oregon, a much higher number than the 8,732 estimate provided in the previous section. To be conservative on the impact, we used the 8,732. Interestingly, the results in the above table closely corroborate the economic impact results estimated using REMI earlier in the report in the final year of the estimate.

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