

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
94th General Assembly
Regular Session, 2023

As Engrossed: H1/26/23
A Bill

HOUSE BILL 1240

By: Representatives Lundstrum, *Maddox*

By: Senator C. Penzo

For An Act To Be Entitled

AN ACT TO AMEND THE INCOME TAX LAWS RELATING TO CERTAIN TRUSTS; TO PRESERVE CERTAIN TRUST ASSETS; TO EXEMPT CERTAIN TRUSTS FROM INCOME TAX; AND FOR OTHER PURPOSES.

Subtitle

TO AMEND THE INCOME TAX LAWS RELATING TO CERTAIN TRUSTS; TO PRESERVE CERTAIN TRUST ASSETS; AND TO EXEMPT CERTAIN TRUSTS FROM INCOME TAX.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. DO NOT CODIFY. Legislative intent.

It is the intent of the General Assembly to:

(1) Reform Arkansas trust tax law to increase the state's competitiveness in the financial services sector by attracting out-of-state trust assets for administration by Arkansas trustees;

(2) Recognize that Arkansas citizens currently establish trusts in foreign states to avoid trust-level taxation;

(3) Recognize that foreign states are reaping the benefit that comes with the management and administration of trust assets in those states;
and

(4) Amend the law to remove the incentive for Arkansas residents to set up nongrantor trusts in foreign states that will encourage Arkansans to keep trust assets in state where Arkansas trustees will manage and



administer the trust assets.

SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 3, is amended to add an additional section to read as follows:

26-51-317. Nongrantor trusts.

There is allowed an exemption from the income tax imposed under this chapter for a trust that is administered by a trustee who is a resident of this state if the trust is not considered a grantor trust under 26 U.S.C. § 671 et seq., as it existed on January 1, 2023, and any related regulations, as they existed on January 1, 2023.

SECTION 3. EFFECTIVE DATE. This act is effective for tax years beginning on or after January 1, 2023.

/s/Lundstrum