

1 State of Arkansas  
2 93rd General Assembly  
3 Regular Session, 2021  
4

As Engrossed: H3/9/21

# A Bill

HOUSE BILL 1624

5 By: Representatives Penzo, Lundstrum  
6 By: Senator B. Ballinger  
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## For An Act To Be Entitled

9 AN ACT TO AMEND THE INCOME TAX LAWS RELATING TO  
10 CERTAIN TRUSTS; TO PRESERVE CERTAIN TRUST ASSETS; TO  
11 EXEMPT CERTAIN TRUSTS FROM INCOME TAX; AND FOR OTHER  
12 PURPOSES.  
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### Subtitle

16 TO AMEND THE INCOME TAX LAWS RELATING TO  
17 CERTAIN TRUSTS; TO PRESERVE CERTAIN TRUST  
18 ASSETS; AND TO EXEMPT CERTAIN TRUSTS FROM  
19 INCOME TAX.  
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22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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24 SECTION 1. DO NOT CODIFY. Legislative intent.

25 It is the intent of the General Assembly to:

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

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

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

33 (4) Amending the law to remove the incentive for Arkansas  
34 residents to set up nongrantor trusts in foreign states will encourage  
35 Arkansans to keep trust assets in state where Arkansas trustees will manage  
36 and administer the trust assets.



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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, 2021, and any related regulations, as they existed on January 1, 2021.

SECTION 3. EFFECTIVE DATE. This act is effective for tax years beginning on or after January 1, 2021.

*/s/Penzo*