

As Engrossed: 4/7/95

1 **State of Arkansas**
2 **80th General Assembly**
3 **Regular Session, 1995**
4 **By: Representative Johnson**

A Bill

ACT 1303 OF 1995
HOUSE BILL 1996

For An Act To Be Entitled

8 "THE LONG TERM INTERGENERATIONAL SECURITY ACT OF 1995; AND
9 FOR OTHER PURPOSES."

Subtitle

12 "THE LONG TERM INTERGENERATIONAL
13 SECURITY ACT OF 1995."

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

17 SECTION 1. This act shall be known as the "LONG TERM INTERGENERATIONAL
18 SECURITY ACT OF 1995".

20 SECTION 2. It is hereby found and declared by the General Assembly that
21 the establishment of a long term intergenerational security trust with tax
22 deferment provisions for an individual under the age of eighteen (18) will
23 enable the individual's family and friends to take advantage of long term
24 growth opportunities and provide for the accumulation of a sizable sum of
25 money for the individual's retirement and financial security. It is further
26 found and declared that individuals are living longer after retirement and
27 their incomes do not generally grow with inflation and that the additional
28 source of money created by a long term intergenerational security trust will
29 improve the quality of life of older Arkansans and possibly indirectly reduce
30 present government expenditures.

32 SECTION 3. For purposes of this act, a "Long Term Intergenerational
33 Security Trust" means a trust established for an individual under the age of
34 eighteen (18) and which contains the provisions prescribed in Section 6 of
35 this act.

1 SECTION 4. (a) Gross income as defined in Arkansas Code § 26-51-401
2 shall not include interest or dividends earned or capital gains recognized on
3 a long term intergenerational security trust created pursuant to this act
4 except as provided in this act.

5 (b) All distributions of funds other than principal from the trust
6 shall be taxable as provided in the Arkansas Income Tax Act, Arkansas Code §
7 26-51-101, et seq.

8 (c) *In addition to any income tax imposed for distributions from the*
9 *long term intergenerational trust as provided in (b), there is hereby imposed*
10 *a twenty percent (20%) penalty on all distributions from the trust in*
11 *violation of this act. The penalty shall be collected by the Department of*
12 *Finance and Administration and shall be deposited in the state treasury as*
13 *general revenue.*

14 SECTION 5. A beneficiary must file a copy of the long term
15 intergenerational security trust agreement with his or her income tax return
16 for each taxable year the beneficiary claims the tax benefits provided in this
17 act.

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19 SECTION 6. The long term intergenerational security trust agreement
20 must:

21 (1) name an Arkansas resident or an entity located in Arkansas as
22 trustee;

23 (2) require the trustee to notify the Department of Finance and
24 Administration of all distributions of principal and interest from the trust
25 during the previous taxable year within thirty-one (31) days immediately
26 following the end of such taxable year;

27 (3) provide that contributions to the trust shall not exceed four
28 thousand dollars (\$4,000) during any taxable year prior to the beneficiaries
29 death; and

30 (4) provide that the trustee shall not distribute any funds from the
31 trust to the beneficiary of the trust until the beneficiary reaches the age of
32 fifty-five (55), at which time the trustee shall begin distributing trust
33 funds to the beneficiary. *The funds shall not be deemed to be constructively*
34 *received when the beneficiary reaches age fifty-five (55).*

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1 SECTION 7. All distributions from the trust shall be deemed principal
2 until all contributions of principal have been withdrawn.

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4 SECTION 8. Upon the death of the beneficiary, all funds remaining in
5 *the long term intergenerational security trust shall be distributed to the*
6 *beneficiary's estate and all undistributed income shall be included in the*
7 *beneficiaries final tax return.*

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9 SECTION 9. Upon reaching eighteen (18) years of age, the beneficiary of
10 a long term intergenerational security trust may, to the extent possible,
11 determine the manner in which the funds are to be invested.

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13 SECTION 10. All provisions of this act of a general and permanent
14 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas
15 Code Revision Commission shall incorporate the same in the Code.

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17 SECTION 11. If any provision of this act or the application thereof to
18 any person or circumstance is held invalid, such invalidity shall not affect
19 other provisions or applications of the act which can be given effect without
20 the invalid provision or application, and to this end the provisions of this
21 act are declared to be severable.

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23 SECTION 12. All laws and parts of laws in conflict with this act are
24 hereby repealed.

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26 /s/Rep. Johnson

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28 APPROVED: 4-14-95

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