

# Department of Finance and Administration

## Amended Legislative Impact Statement

**Bill: HB1624**

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

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### **Basic Change :**

**Sponsors: Reps. Penzo and Lundstrum  
Sen. Ballinger.**

HB1624 exempts non-grantor trusts from state income tax. Income earned by a trust is generally subject to income tax in Arkansas. HB1624 exempts a trust administered by a trustee who is an Arkansas resident if the trust is not considered a "grantor trust" under 26 U.S.C. § 671 et seq.

HB1624 will be effective for tax years on or after January 1, 2021.

### **Revenue Impact :**

**FY2022 - \$13.7 Million Reduction in State General Revenue**

[ Revenue Impact is gathered from actual tax reported on electronically filed 2019 AR Fiduciary Income Tax Returns on complex and simple fiduciary returns. Decedent, grantor, bankruptcy, and charitable fiduciary returns are excluded from the revenue impact. The above estimate does not include the tax paid on the income passed out via K-1s and paid at the individual level. ]

### **Taxpayer Impact :**

Arkansas resident taxpayers with non-grantor trusts will be exempt from income tax.

### **Resources Required :**

Computer programs, tax forms, and instructions will need to be updated.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Department employees will need to be educated as well as the tax community.

### **Other Comments :**

None.

### **Legal Analysis :**

None.