

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1449

As Engrossed: 2/27/2019

Bill Subtitle: TO AMEND THE DEFINITION OF "HOMESTEAD" AS USED IN AMENDMENT 79 OF THE ARKANSAS CONSTITUTION FOR PROPERTY TAX PURPOSES TO INCLUDE THE DWELLING OF A BENEFICIARY OF AN IRREVOCABLE TRUST.

Basic Change :

Sponsor: Rep. Sullivan

Engrossed 02/27/19 -- House Amendment 1 -- Amends the bill to provide that a beneficiary of an irrevocable trust that uses the property as their principal place of residence must submit a signed, notarized, and file-marked copy of the irrevocable trust to the county assessor to prove entitlement to the homestead property tax credit.

Original Bill -- The bill amends the definition of "homestead" for purposes of the provisions of Arkansas Constitutional Amendment 79 that provides for the Homestead Property Tax Credit program. Under current law, "homestead" means the dwelling of a person that is used as his or her principal place of residence with the contiguous land, excluding all land valued as agricultural land, pasture land, or timberland. A homestead also includes a dwelling that is owned by a revocable or irrevocable trust and used as the principal place of residence of the person who formed the trust. The bill would provide that a "homestead" includes a dwelling owned by an irrevocable trust when used as the principal place of residence of a beneficiary of the trust.

The act would be effective for assessment years beginning on and after January 1, 2019.

Revenue Impact :

No impact on State General Revenues. Additional property tax credits authorized by a County Assessor would be reimbursed from the Property Tax Relief Trust Fund.

Taxpayer Impact :

Homestead properties owned by an irrevocable trust used as the principal place of residence by a beneficiary of the trust will be eligible for the \$350.00 property tax credit.

Resources Required :

None.

Time Required :

None.

Procedural Changes :

None.

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Other Comments :

None.

Legal Analysis :

HB1449-H1 (now engrossed) is an amendment to HB1449, which expands the eligibility for the Homestead Property Tax Credit to beneficiaries of an irrevocable trust. Under § 26-26-1118, property owners are required to provide proof of eligibility for the claimed property tax credit to the county assessor. The amendment specifies the proof of eligibility required for beneficiaries of an irrevocable trust: a signed, notarized, and file-marked copy of the irrevocable trust must be provided to the county assessor. As trusts are typically not required to be filed or recorded, it is unclear where the trust would be required to be filed.