

# Department of Finance and Administration

## 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 - \$14.6 Million Reduction in State General Revenue**

[ Revenue Impact is gathered from actual tax reported on 2019 AR Fiduciary Income Tax Returns. 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.