1   State of Arkansas

2   93rd General Assembly

A Bill

3   Regular Session, 2021   HOUSE BILL 1624

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5   By: Representatives Penzo, Lundstrum

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7   **For An Act To Be Entitled**

8   AN ACT TO AMEND THE INCOME TAX LAWS RELATING TO

9   CERTAIN TRUSTS; TO PRESERVE CERTAIN TRUST ASSETS; TO

10   EXEMPT CERTAIN TRUSTS FROM INCOME TAX; AND FOR OTHER

11   PURPOSES.

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14   **Subtitle**

15   TO AMEND THE INCOME TAX LAWS RELATING TO

16   CERTAIN TRUSTS; TO PRESERVE CERTAIN TRUST

17   ASSETS; AND TO EXEMPT CERTAIN TRUSTS FROM

18   INCOME TAX.

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

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23   SECTION 1. DO NOT CODIFY. Legislative intent.

24   It is the intent of the General Assembly to:

25   (1) Reform Arkansas trust tax law to increase the state's

26   competitiveness in the financial services sector by attracting out-of-state

27   trust assets for administration by Arkansas trustees;

28   (2) Recognize that Arkansas citizens currently establish trusts

29   in foreign states to avoid trust-level taxation;

30   (3) That foreign states are reaping the benefit that comes with

31   the management and administration of trust assets in those states; and

32   (4) Amending the law to remove the incentive for Arkansas

33   residents to set up nongrantor trusts in foreign states will encourage

34   Arkansans to keep trust assets in state where Arkansas trustees will manage

35   and administer the trust assets.

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1   SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 3, is
2   amended to add an additional section to read as follows:
3   26-51-317. Nongrantor trusts.
4   There is allowed an exemption from the income tax imposed under this
5   chapter for a trust that is administered by a trustee who is a resident of
6   this state if the trust is not considered a grantor trust under 26 U.S.C. §
7   671 et seq., as it existed on January 1, 2021, and any related regulations,
8   as they existed on January 1, 2021.
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10   SECTION 3. EFFECTIVE DATE. This act is effective for tax years
11 beginning on or after January 1, 2021.
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