

State of Arkansas  
94th General Assembly  
Regular Session, 2023

# A Bill

HOUSE BILL 1240

By: Representative Lundstrum  
By: Senator C. Penzo

## For An Act To Be Entitled

AN ACT TO AMEND THE INCOME TAX LAWS RELATING TO  
CERTAIN TRUSTS; TO PRESERVE CERTAIN TRUST ASSETS; TO  
EXEMPT CERTAIN TRUSTS FROM INCOME TAX; AND FOR OTHER  
PURPOSES.

## Subtitle

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

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

SECTION 1. DO NOT CODIFY. Legislative intent.

It is the intent of the General Assembly to:

(1) Reform Arkansas trust tax law to increase the state's  
competitiveness in the financial services sector by attracting out-of-state  
trust assets for administration by Arkansas trustees;

(2) Recognize that Arkansas citizens currently establish trusts  
in foreign states to avoid trust-level taxation;

(3) Recognize that foreign states are reaping the benefit that  
comes with the management and administration of trust assets in those states;  
and

(4) Amend the law to remove the incentive for Arkansas residents  
to set up nongrantor trusts in foreign states that will encourage Arkansans  
to keep trust assets in state where Arkansas trustees will manage and



1 administer the trust assets.

2  
3 SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 3, is amended  
4 to add an additional section to read as follows:

5 26-51-317. Nongrantor trusts.

6 There is allowed an exemption from the income tax imposed under this  
7 chapter for a trust that is administered by a trustee who is a resident of  
8 this state if the trust is not considered a grantor trust under 26 U.S.C. §  
9 671 et seq., as it existed on January 1, 2023, and any related regulations,  
10 as they existed on January 1, 2023.

11  
12 SECTION 3. EFFECTIVE DATE. This act is effective for tax years  
13 beginning on or after January 1, 2023.