



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: SB233

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.

Sponsors:

Sen. Penzo and Reps. Lundstrum and Maddox

Basic Change:

SB233 exempts non-grantor trusts from state income tax. Income earned by a trust is generally subject to income tax in Arkansas. SB233 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. A grantor trust is a trust where the creator of the trust retains ownership of the assets of the trust. Under SB233, a non-grantor trust will be exempt from income tax.

SB233 is effective for tax years beginning on or after January 1, 2025.

Fiscal Impact:

FY2026 - \$11M General Revenue Reduction

[Fiscal impact is gathered from actual tax reported on electronically filed 2023 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 through to beneficiaries on Form AR K-1 and tax paid at the individual level.]

Taxpayer Impact:

Arkansas resident trustees of non-grantor trusts will be exempt from income tax.

Resources Required:

Computer programs, tax forms, and instructions will need to be updated. Staff will need to be trained on the rules adopted to administer the credit. Programming costs for the Arkansas Integrated Revenue System (AIRS) are estimated at \$8,000.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

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



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Other Comments:

None.

Legal Analysis:

None.