

1 State of Arkansas  
2 95th General Assembly  
3 Regular Session, 2025  
4

# A Bill

SENATE BILL 233

5 By: Senator C. Penzo  
6 By: Representatives Lundstrum, Maddox  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND THE INCOME TAX LAWS RELATING TO  
10 CERTAIN TRUSTS; TO PRESERVE CERTAIN TRUST ASSETS; TO  
11 EXEMPT CERTAIN TRUSTS FROM INCOME TAX; AND FOR OTHER  
12 PURPOSES.  
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## Subtitle

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16 TO AMEND THE INCOME TAX LAWS RELATING TO  
17 CERTAIN TRUSTS; TO PRESERVE CERTAIN  
18 TRUST ASSETS; AND TO EXEMPT CERTAIN  
19 TRUSTS FROM 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) Recognize that foreign states are reaping the benefit that  
31 comes with the management and administration of trust assets in those states;  
32 and

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



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

26-51-317. Nongrantor trusts.

There is allowed an exemption from the income tax imposed under this chapter for a trust that is administered by a trustee who is a resident of this state if the trust is not considered a grantor trust under 26 U.S.C. § 671 et seq., as it existed on January 1, 2025, and any related regulations, as they existed on January 1, 2025.

SECTION 3. EFFECTIVE DATE. This act is effective for tax years beginning on or after January 1, 2025.