

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0639-03
Bill No.: Perfected HCS for HB 241
Subject: Banks and Financial Institutions; Estates, Wills, and Trusts; Uniform Laws
Type: Original
Date: February 27, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Economic Development–Division of Finance** assume the proposal will have no fiscal impact on their agency.

In response to previous similar proposals, officials with the **Office of State Courts Administrator**, and the **Department of Economic Development–Division of Credit Unions**, assumed the proposal would have no fiscal impact on their agencies.

In response to previous similar proposals, officials with the **Office of Administration–Division of Budget & Planning** and the **Department of Revenue** indicated that they cannot determine any possible impact on state revenues due to the proposal’s revision of income recognition by trusts.

Oversight notes that the purpose of the bill is to update the manner in which fiduciaries report income for trust and estates and achieve uniformity with federal standards. As such, Oversight assumes that there will be minimal or no impact on state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This substitute revises the law governing principal and income in the administration of trusts. The substitute:

- (1) Redefines the standards and processes used to determine which parts of a trust constitute principal and which constitute income from that principal, as well as trustees' obligations in administering those trusts;

DESCRIPTION (continued)

- (2) Allows trustees discretion in adjusting the trust portfolio, to do what is fair and reasonable to all beneficiaries, absent clear intent in the trust to the contrary, in accordance with the Prudent Investor Act;
- (3) Adopts and sets the "unitrust amount" (the default mechanism used to determine how much of a portfolio to count as income) at 3%;
- (4) Repeals the rule against perpetuities as it applies to trusts, under certain conditions; and
- (5) Reduces the statute of limitations, from 5 years to 2 years, for claims of breach of trust resulting from a trustee's allocation of income and principal.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Division of Finance

NOT RESPONDING

Office of State Courts Administrator
Department of Economic Development
Division of Credit Unions
Department of Revenue
Office of Administration
Division of Budget & Planning



Jeanne Jarrett, CPA
Director
February 27, 2001