Bill Number:	H. 3432 Introduced on January 14, 2025
Subject:	Grantor Trust Reimbursement
Requestor:	House Judiciary
RFA Analyst(s):	Tipton
Impact Date:	February 3, 2025

Fiscal Impact Summary

This bill amends the Uniform Statutory Rule Against Perpetuities to extend the period upon which a nonvested property interest becomes invalid from 90 years to 360 years. The bill additionally provides for the reimbursement of state or federal income tax liabilities of a settlor or grantor of a trust established under state law using trust assets and provides certain limitations and exclusions.

This bill will have no expenditure impact on Judicial or the Department of Revenue (DOR), as both entities indicate they will manage any resulting requirements or additional caseload with existing staff and resources.

This bill will have no state revenue impact, as DOR indicates that the bill will have a minimal effect on state individual income tax collections.

This bill is not expected to have an immediate expenditure impact on local governments in the state but may result in future undetermined costs based on information provided by the Municipal Association of South Carolina (MASC). The association indicates that the extended vesting period established by the bill could lead to greater legal complexity in property transactions, inheritance issues, and the enforcement of property rights, and that increased complexity often results in greater legal and administrative costs to local governments.

Explanation of Fiscal Impact

Introduced on January 14, 2025
State Expenditure
This bill amends the Uniform Statutory Rule Against Perpetuities to extend the period upon which a nonvested property interest becomes invalid from 90 years to 360 years and applies this extension to various other provisions related to the creation of a trust or other property arrangement. The vesting period extension becomes effective beginning July 1, 2025. The bill additionally provides for the reimbursement of state or federal income tax liabilities of a settlor or grantor of a trust established under state law using trust assets and provides certain limitations and exclusions.

Judicial Department. Judicial indicates that the extension of nonvested property interest timelines as well as the provision for income tax reimbursement for settlors or grantors of trusts may increase probate court caseload. However, Judicial anticipates that any resulting caseload increase can be managed within existing appropriations.

Department of Revenue. DOR indicates that the individual income tax provisions will be managed with existing staff and resources. Therefore, this bill will have no impact on DOR.

State Revenue
This bill provides that a trustee of an irrevocable trust may pay any tax on trust income or trust principal that is payable by the settlor under law by making the payment directly to the taxing authority or reimbursing the settlor using trust assets. The bill also allows a trustee of a grantor trust to reimburse the person being treated as the owner for any amount of the person's personal federal, state, or other income tax liability which is attributable to the inclusion of the trust's income, capital gains, deductions, or credits in the calculation of the owner's taxable income. DOR indicates this bill will have a minimal impact on state individual income tax revenue.

Local Expenditure
This bill amends the Uniform Statutory Rule Against Perpetuities to extend the period upon which a nonvested property interest becomes invalid from 90 years to 360 years and applies this extension to various other provisions related to the creation of a trust or other property arrangement. The vesting period extension becomes effective beginning July 1, 2025.

Based on information received from MASC, this bill is not expected to have an immediate local expenditure impact. MASC indicates that local governments may face future challenges in determining ownership, control, or taxation of properties with nonvested interests that remain for 360 years under the provisions of the bill. MASC further indicates that the extended vesting period could lead to greater legal complexity in property transactions, inheritance issues, and the enforcement of property rights, and that increased complexity often results in greater legal and administrative costs to local governments. However, as the extent of these future challenges is currently unknown, the future impact of the bill on local governments is undetermined.

Local Revenue
N/A

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