

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1060 Division of Trusts

SHORT TITLE: Division of Trusts

SPONSOR(S): Sen. Hagan

FISCAL IMPACT

Yes ()	No (X)	No Estimate Available ()		
<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>

REVENUES

* See Assumptions and Methodology *

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Revenue, Personal Taxes Division.

EFFECTIVE DATE: This act is effective when it becomes law.

BILL SUMMARY: The legislation authorizes trustees to sever trusts into separate trusts, consistent with the best interests of the trust beneficiaries. These new trusts must be consistent with the terms of the original trust instrument, and provide the same succession of interests and beneficiaries as provided in the original trust. Funding of the new trusts created under the authority granted in this bill must be either carried out by a pro rata allocation of the assets of the original trust, based on fair market value of the assets at the date of funding, or be carried out in a manner “fairly reflecting the net appreciation or depreciation of the trust assets measured from the valuation date to the date of funding”.

ASSUMPTIONS AND METHODOLOGY: Under current North Carolina tax law, the bill will have no fiscal impact. A federal “generation skipping” transfer tax is imposed on transfers outright or in trust to beneficiaries more than one generation below the transferor’s generation at a flat rate of 55%. North Carolina imposes a “pick-up” generation skipping transfer tax based on the federal tax liability. Under this “pick-up” generation skipping transfer tax, all portions of the estate are treated equally, with no special rates or exemptions based on the beneficiary’s relationship to the deceased. Therefore, the taxes due North Carolina – in total – will be the same regardless of who receives the value of the estate. Because of this recent modification to North Carolina’s tax law, the legislation has no fiscal impact.

FISCAL RESEARCH DIVISION 733-4910
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DATE: Wednesday, April 28, 1999



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