

## **BILL ANALYSIS**

Senate Research Center  
76R5569 PAM-D

H.B. 1373  
By: Williams (Sibley)  
Jurisprudence  
4/27/1999  
Committee Report (Amended)

### **DIGEST**

Currently, Texas law does not specify whether an increase in an annuity of a trust is principal or income. The Internal Revenue Code leaves that determination to state law. This bill would establish, as income, an increase in the value of a deferred annuity before annuitization or the increase in value of a life insurance contract before the death of the insured, unless the trust specifies otherwise.

### **PURPOSE**

As proposed, H.B. 1373 sets forth guidelines for the allocation of principal and income in certain trusts.

### **RULEMAKING AUTHORITY**

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 113D, Property Code, by adding Section 113.1021, as follows:

Sec. 113.1021. ALLOCATION OF PRINCIPAL AND INCOME IN CHARITABLE TRUSTS. Provides that an increase in the value of a deferred annuity before annuitization and a life insurance contract before the death of the insured, over the value at the time the obligation was acquired by trust is income, unless otherwise provided by the trust instrument. Provides that the increase in value of an obligation is available for distribution only when the trustee receives cash on account of the obligation. Requires the cash received to be attributed first to the increase, if the obligation is surrendered or partially liquidated. Provides that the increase in the value of the obligation is available for distribution to the income beneficiary who is the income beneficiary when the cash is received and, if different, not to the income beneficiary who was the income beneficiary at the time the income accrued, notwithstanding Section 113.103. Provides that Section 113.109 applies to the allocation of principal and income for a deferred annuity after annuitization.

SECTION 2. Effective date: September 1, 1999.  
Makes application of this Act prospective.

SECTION 3. Emergency clause.

### **SUMMARY OF COMMITTEE CHANGES**

SECTION 1.

Amends the heading of Section 113.1021, Property Code.