

By: Elkins

H.B. No. 3762

A BILL TO BE ENTITLED

AN ACT

relating to the designation of a trust as a business purpose trust.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 101, Property Code, is amended by adding Section 101.003 to read as follows:

Sec. 101.003. BUSINESS PURPOSE TRUSTS. (a) In this section, "express trust" has the meaning assigned by Section 111.004.

(b) If the settlor of an express trust, whether irrevocable or revocable, and regardless of whether the trust is a disregarded entity for federal tax purposes, designates the trust as a "business purpose trust" in the trust instrument, the trust shall be considered a legal organization for all purposes under the laws of this state.

(c) An express trust whose trust instrument declares that the trust is a "business purpose trust" shall be treated for all purposes as a business trust even if distributions from the trust are for personal, family, or household purposes.

SECTION 2. (a) Except as otherwise expressly provided by a trust, a will creating a trust, or this section, the changes in law made by this Act apply to a trust existing or created on or after September 1, 2015.

(b) For a trust existing on September 1, 2015, that was created before that date, the changes in law made by this Act apply

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1 only to an act or omission relating to the trust that occurs on or
2 after September 1, 2015.

3 SECTION 3. This Act takes effect September 1, 2015.