

BILL ANALYSIS

H.B. 3405
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Judiciary & Civil Jurisprudence
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Under current provisions of the Property Code, trustees must provide detailed accountings that separate receipts and disbursements between principal and income. The bill author has informed the committee that this requirement makes sense for trusts where different beneficiaries receive principal versus income; however, beneficiaries in many modern trusts receive both principal and income under identical distribution standards. The bill author has informed the committee that in these cases, separating transactions creates an unnecessary administrative burden and expense with no practical benefit to beneficiaries. H.B. 3405 addresses these inefficiencies by creating an exception to the requirement that receipts and disbursements be allocated separately to principal and income when the distribution standard for beneficiaries is the same for both while preserving judicial oversight of the process by allowing a court to require separate allocation of receipts and disbursements on a showing of good cause, regardless of distribution standards.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 3405 amends the Property Code to revise the current statutory requirement for a written statement of accounts to show a complete account of applicable receipts, disbursements, and other transactions, with receipts of principal and income shown separately, by doing the following:

- requiring the written statement to show such information with each receipt and disbursement allocated to principal or income; and
- providing that a trustee is not required to allocate a receipt or disbursement to principal or income if the distribution standard and beneficiaries are the same for both principal and income.

The bill also authorizes a court, on a showing of good cause, to compel a trustee to include in a written statement of account required by the court to be delivered to an applicable beneficiary or interested person an allocation of certain receipts and disbursements to principal and income regardless of whether the distribution standard and beneficiaries are the same for principal and income.

H.B. 3405 applies only to a demand for accounting made on or after the bill's effective date. A demand for accounting made before the bill's effective date is governed by the law in effect immediately before that date, and the former law is continued in effect for that purpose.

EFFECTIVE DATE

September 1, 2025.