

BILL ANALYSIS

H.B. 654
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Committee Report (Unamended)

BACKGROUND AND PURPOSE

There are concerns that Texans do not have the same options in estate planning that they would have in other states that have changed or eliminated the rule against perpetuities, thus permitting a longer period of time before an interest in a noncharitable trust must vest. While a number of other states have extended that period to several hundred years or more, Texas still limits it to 21 years after the death of some person who was alive when the interest was created. This may result in a less competitive market, encouraging Texans to take their estate investments out of state, and may disadvantage Texans by making it more difficult for them to devise their estates as they wish. H.B. 654 seeks to address these concerns by providing for a period of 300 years before an interest in an applicable trust must vest.

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. 654 amends the Property Code to change the operation of the rule against perpetuities as follows:

- an applicable trust's effective date is the date the trust becomes irrevocable;
- for a trust whose effective date is on or after the bill's effective date, an interest in the trust must vest not later than 300 years after the trust's effective date; and
- for a trust whose effective date is before the bill's effective date, if the trust instrument provides that an interest in the trust vests under the law governing perpetuities as applicable on the date the interest vests, an interest may vest not later than 300 years after the trust's effective date instead of vesting according to the rule against perpetuities before amendment by the bill.

EFFECTIVE DATE

September 1, 2021.