

**Department of Planning and Budget  
2004 Fiscal Impact Statement**

**1. Bill Number** HB1388

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron**        Janis

**3. Committee**    House Courts of Justice

**4. Title**            Total Return Unitrust.

**5. Summary/Purpose:**

Allows a trustee to convert a Virginia trust that directs or permits the distribution of trust net income (an income trust) into a unitrust that distributes a percentage of the trust assets. This bill provides statutory authority that is responsive to federal regulations revising the definition of income for federal tax law purposes. Those federal regulations in turn are responsive to changes in state law, including Virginia law, that permit trusts to use a total return method of investing to promote equitable treatment of trust beneficiaries. This bill codifies in Virginia law the safe harbor provisions of the federal regulations so that Virginia has full authority for converting an income trust to a total return trust, thus ensuring that Virginia trusts will not migrate to other states that have enacted the safe harbor provisions in state law.

**6. Fiscal Impact Estimates are unknown.** See item 8, below.

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

According to the Department of Taxation, any revenue impact the legislation may have is unknown and cannot be determined at this time.

**9. Specific agency or political subdivisions affected:** Department of Taxation.

**10. Technical amendment necessary:** No.

**11. Other comments:** None.

**Date:** 02/06/04 / tmw

**Document:** G:\2004 Session\Legislation\Hb1388.Doc

cc: Secretary of Finance