

**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: April 13, 2010

SUBJECT: Fiscal Impact Statement – “Uniform Principal and Income Technical Amendments Act of 2009”

REFERENCE: Bill Number 18-563, Draft Committee Print

Conclusion

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation.

Background

The proposed legislation would provide two technical amendments to Title 28 of the District of Columbia Official Code regarding the Uniform Principal and Income Act (UPIA), which concerns trusts.¹ The first amendment would address a 2006 Internal Revenue Service ruling related to UPIA’s formula for allocating Individual Retirement Accounts distributions between principal and trust income for purposes of qualifying the fund for the marital deduction. The second amendment would clarify ambiguities regarding mandatory income trusts that own an interest in entities, such as a partnership or S corporation, by allowing a formula to calculate how much the trust would need to keep in order to meet its tax obligation and how much balance would be left to distribute to the mandatory income beneficiaries.

Financial Plan Impact

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation. Implementing these two technical amendments would not have any cost. Allowing mandatory income trusts to keep enough money to pay their taxes could result in an increase in revenue, but given that this only would only apply to a minute number of cases, any increase would not be significant.

¹ UPIA was adopted by the District in 2011. The two proposed amendments were promulgated by the National Conference of Commissioners on Uniform State Laws in 2008 and have passed in 15 states.