

# KEEP TEXAS COMPETITIVE REFORM RAP

## SUPPORT HB 654 / SB 1377

### TAXABLE WEALTH IS CURRENTLY LEAVING TEXAS

The Rule Against Perpetuities (RAP) is a relic from English feudal law that is still being used to create Texas trusts. Texas is one of the few states still following the Rule Against Perpetuities in its original 21-year vesting period. Texas is actually losing taxable wealth to states like Delaware and South Dakota! HB 654 and SB 1377 will modernize RAP, enhance our competitiveness, and keep Texas dollars in Texas.

### THE PROBLEM

Under current Texas law, the restrictive and antiquated RAP language has led Texas families to develop estate and gift plans in more favorable jurisdictions like Delaware. Once these dollars leave the state, they are gone for generations. Furthermore, from an economic development perspective, trusts created in other jurisdictions are serviced by institutions and employees in those states, creating a lose-lose for Texas.

### THE SOLUTION

Representative Eddie Lucio, III and Senators Nathan Johnson and Kel Seliger filed **HB 654** and **SB 1377** to extend Texas's Rule Against Perpetuities vesting period to 300 years. This would make Texas competitive with other jurisdictions that have already repealed or extended their states' rules. Bringing these assets back to Texas will create additional jobs as wealth management offices expand to accommodate the growing accounts.

### THE BENEFITS

A *Yale Law Journal* study found that states with no RAP statute increased their average reported trust assets by \$6 billion and their average trust account size by \$200,000. Additionally, approximately \$100 billion in trust funds have moved to take advantage of states where RAP statute has been amended or dissolved.

HB 654 and SB 1377 will foster trust asset growth in Texas. An additional \$6 billion in trust assets with a 1% annual management fee would equate to \$60 million in revenues staying in Texas. These additional fees and resources would contribute to significant growth in the Texas economy, producing jobs to support new and growing accounts.

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