**South Carolina General Assembly**

126th Session, 2025-2026

**A25, R43, H3432**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. W. Newton, Mitchell, Yow and T. Moore

Document Path: LC-0085SA25.docx

Introduced in the House on January 14, 2025

Introduced in the Senate on February 13, 2025

Last Amended on February 12, 2025

Currently residing in the Senate

Governor's Action: May 8, 2025, Signed

Summary: Grantor Trust Reimbursement

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

12/5/2024 House Prefiled

12/5/2024 House Referred to Committee on **Judiciary**

1/14/2025 House Introduced and read first time ([House Journal‑page 200](h:\hj\20250114.docx))

1/14/2025 House Referred to Committee on **Judiciary** ([House Journal‑page 200](h:\hj\20250114.docx))

2/6/2025 House Member(s) request name added as sponsor: Mitchell

2/6/2025 House Committee report: Favorable with amendment **Judiciary** ([House Journal‑page 5](h:\hj\20250206.docx))

2/12/2025 House Member(s) request name added as sponsor: Yow, T. Moore

2/12/2025 House Amended ([House Journal‑page 35](h:\hj\20250212.docx))

2/12/2025 House Read second time ([House Journal‑page 35](h:\hj\20250212.docx))

2/12/2025 House Roll call Yeas-107 Nays-0 ([House Journal‑page 38](h:\hj\20250212.docx))

2/13/2025 House Read third time and sent to Senate ([House Journal‑page 12](h:\hj\20250213.docx))

2/13/2025 Senate Introduced and read first time ([Senate Journal‑page 11](h:\sj\20250213.docx))

2/13/2025 Senate Referred to Committee on **Judiciary** ([Senate Journal‑page 11](h:\sj\20250213.docx))

4/16/2025 Senate Committee report: Favorable **Judiciary** ([Senate Journal‑page 23](h:\sj\20250416.docx))

4/29/2025 Senate Read second time ([Senate Journal‑page 43](h:\sj\20250429.docx))

4/29/2025 Senate Roll call Ayes-42 Nays-0 ([Senate Journal‑page 43](h:\sj\20250429.docx))

4/30/2025 Senate Read third time and enrolled ([Senate Journal‑page 22](h:\sj\20250430.docx))

5/6/2025 Ratified R 43

5/8/2025 Signed By Governor

5/16/2025 Effective date 05/08/25

5/16/2025 Act No. 25

View the latest  [legislative information](https://www.scstatehouse.gov/billsearch.php?billnumbers=3432&session=126&summary=B)  at the website

**VERSIONS OF THIS BILL**

[12/05/2024](https://www.scstatehouse.gov/sess126_2025-2026/prever/3432_20241205.docx)

[02/06/2025](https://www.scstatehouse.gov/sess126_2025-2026/prever/3432_20250206.docx)

[02/12/2025](https://www.scstatehouse.gov/sess126_2025-2026/prever/3432_20250212.docx)

[04/16/2025](https://www.scstatehouse.gov/sess126_2025-2026/prever/3432_20250416.docx)

(A25, R43, H3432)

AN ACT TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 27‑6‑20, RELATING TO NONVESTED PROPERTY INTEREST OR POWER OF APPOINTMENT, SO AS TO INCREASE THE TIME AN INTEREST CAN VEST FROM NINETY YEARS TO THREE HUNDRED SIXTY YEARS; BY AMENDING SECTION 27‑6‑40, RELATING TO REFORMATION OF PROPERTY DISPOSITIONS, SO AS TO INCREASE THE TIME LIMIT FROM NINETY YEARS TO THREE HUNDRED SIXTY YEARS; BY AMENDING SECTION 62‑7‑504, RELATING TO DISCRETIONARY TRUSTS, SO AS TO PROVIDE CERTAIN SITUATIONS IN WHICH A BENEFICIARY OF A TRUST MAY NOT BE CONSIDERED A SETTLOR; BY AMENDING SECTION 62‑7‑505, RELATING TO CREDITORS’ CLAIMS AGAINST A SETTLOR, SO AS TO PROVIDE THAT CERTAIN AMOUNTS PAID TO TAXING AUTHORITIES MAY NOT BE CONSIDERED AN AMOUNT THAT MAY BE DISTRIBUTED FOR THE SETTLOR’S BENEFIT; AND BY ADDING SECTION 62‑7‑508 SO AS TO PROVIDE FOR CERTAIN GRANTOR TRUST REIMBURSEMENTS.

Be it enacted by the General Assembly of the State of South Carolina:

Nonvested property interests

SECTION 1. Section 27‑6‑20 of the S.C. Code is amended to read:

Section 27‑6‑20. (A) A nonvested property interest is invalid unless:

(1) when the interest is created, it is certain to vest or terminate no later than twenty‑one years after the death of an individual then alive; or

(2) the interest either vests or terminates within three hundred sixty years after its creation.

(B) A general power of appointment not presently exercisable because of a condition precedent is invalid unless:

(1) when the power is created, the condition precedent is certain to be satisfied or become impossible to satisfy no later than twenty‑one years after the death of an individual then alive; or

(2) the condition precedent either is satisfied or becomes impossible to satisfy within three hundred sixty years after its creation.

(C) A nongeneral power of appointment or a general testamentary power of appointment is invalid unless:

(1) when the power is created, it is certain to be irrevocably exercised or to terminate no later than twenty‑one years after the death of an individual then alive; or

(2) the power is irrevocably exercised or terminates within three hundred sixty years after its creation.

(D) In determining whether a nonvested property interest or a power of appointment is valid under subsection (A)(1), (B)(1), or (C)(1), the possibility that a child will be born to an individual after the individual’s death is disregarded.

(E) If, in measuring a period from the creation of a trust or other property arrangement, language in a governing instrument seeks to disallow the vesting or termination of any interest or trust beyond, seeks to postpone the vesting or termination of any interest or trust until, or seeks to operate in effect in any similar fashion upon, the later of: (1) the expiration of a period of time not exceeding twenty‑one years after the death of a specified life or the survivor of specified lives, or upon the death of a specified life or the death of the survivor of specified lives in being at the creation of the trust or other property arrangement or (2) the expiration of a period of time that exceeds or might exceed twenty‑one years after the death of the survivor of lives in being at the creation of the trust or other property arrangement, that language is inoperative to the extent it produces a period of time that exceeds twenty‑one years after the death of the survivor of the specified lives.

Reformation of property dispositions

SECTION 2. Section 27‑6‑40 of the S.C. Code is amended to read:

Section 27‑6‑40. Upon the petition of an interested person, a court shall reform a disposition in the manner that most closely approximates the transferor’s manifested plan of distribution and is within the three hundred sixty years permitted by this chapter if:

(1) a nonvested property interest or a power of appointment becomes invalid under Section 27‑6‑20;

(2) a class gift is not but may become invalid under Section 27‑6‑20 and the time has arrived when the share of any class member is to take effect in possession or enjoyment; or

(3) a nonvested property interest that is not validated by Section 27‑6‑20(A)(1) can vest but not within three hundred sixty years after its creation.

Discretionary trusts

SECTION 3. Section 62‑7‑504 of the S.C. Code is amended by adding:

(g) With respect to an irrevocable trust, whether created on, before, or after January 1, 2025, a beneficiary of a trust may not be considered to be a settlor, to have made a voluntary or involuntary transfer of the beneficiary’s interest in the trust, or to have the power to make a voluntary or involuntary transfer of the beneficiary’s interest in the trust merely because the beneficiary, in any capacity, holds or exercises a testamentary power of appointment.

Spendthrift provisions

SECTION 4. Section 62‑7‑505 of the S.C. Code is amended to read:

Section 62‑7‑505. (a) Whether or not the terms of a trust contain a spendthrift provision, the following rules apply:

(1) During the lifetime of the settlor, the property of a revocable trust is subject to claims of the settlor’s creditors.

(2) With respect to an irrevocable trust, whether created on, before, or after January 1, 2025:

(A) except as otherwise provided in this section, a creditor or assignee of the settlor may reach the maximum amount that can be distributed to or for the settlor’s benefit. If a trust has more than one settlor, the amount the creditor or assignee of a particular settlor may reach may not exceed the settlor’s interest in the portion of the trust attributable to that settlor’s contribution; and

(B) notwithstanding subitem (A), the trustee’s discretionary authority to pay directly to the taxing authorities or to reimburse the settlor for any tax on trust income or trust principal that is payable by the settlor under the law imposing the tax may not be considered to be an amount that can be distributed to or for the settlor’s benefit.

(3) After the death of a settlor, and subject to the settlor’s right to direct the source from which liabilities will be paid, and except to the extent state or federal law exempts any property of the trust from claims, costs, expenses, or allowances, the property held in a revocable trust at the time of the settlor’s death is subject to claims of the settlor’s creditors, costs of administration of the settlor’s estate, the expenses of the settlor’s funeral and disposal of remains, and statutory allowances to a surviving spouse and children to the extent the settlor’s probate estate is inadequate to satisfy those claims, costs, expenses, and allowances, unless barred by Section 62‑3‑801, et seq.

(b) For purposes of this section:

(1) a beneficiary who is a trustee of a trust, but who is not the settlor of the trust, cannot be treated in the same manner as the settlor of a revocable trust if the beneficiary‑trustee’s power to make distributions to the beneficiary‑trustee is limited by an ascertainable standard related to the beneficiary‑trustee’s health, education, maintenance, and support;

(2) the assets in a trust that are attributable to a contribution to an inter vivos marital deduction trust described in either Section 2523(e) or (f) of the Internal Revenue Code of 1986, after the death of the spouse of the settlor of the inter vivos marital deduction trust are deemed to have been contributed by the settlor’s spouse and not by the settlor;

(3) that portion of a trust, whether created on, before, or after January 1, 2025, that can be distributed to or for the settlor’s benefit solely because the settlor’s interest in the trust was created by the settlor’s spouse or by any third party, whether through the exercise of a power of appointment or otherwise is considered to have been contributed to the trust by the person exercising the power of appointment or otherwise creating the interest and not by the settlor.

Grantor trust reimbursements

SECTION 5. Chapter 7, Title 62 of the S.C. Code is amended by adding:

Section 62‑7‑508. (A)(1) Except as otherwise provided under the terms of a trust, if all or any portion of the trust is treated as being owned by a person under Section 671 of the Internal Revenue Code or any similar federal, state, or other tax law, the trustee of such trust may, in the trustee’s sole discretion, reimburse the person being treated as the owner for any amount of the person’s personal federal, state, or other income tax liability which is attributable to the inclusion of the trust’s income, capital gains, deductions, or credits in the calculation of the person’s taxable income. In the trustee’s sole discretion, the trustee may pay such tax reimbursement amount, determined without regard to any other distribution or payment made from trust assets, to the person directly or to the appropriate taxing authority.

(2) A life insurance policy held in the trust, the cash value of any such policy, or the proceeds of any loan secured by an interest in the policy may not be used for such reimbursement or such payment if the person being treated of the owners of such trust is an insured of such policy.

(B) This section applies to all trusts that are governed by the laws of this State or that have a principal place of administration within this State, whether created on, before, or after January 1, 2025, unless:

(1) the trust contains a provision prohibiting the trustee from reimbursing the grantor or paying taxes on behalf of the grantor;

(2) the trustee provides written notification that the trustee intends to irrevocably elect out of the application of this section at least ninety days before the effective date of such election which notice period may be waived by the persons to whom notice is required to the person treated as the owner of all or a portion of the trust under Section 671 of the Internal Revenue Code or any similar federal, state, or other tax law and to all persons who have the ability to remove and replace the trustee; or

(3) applying this section would prevent a contribution to the trust from qualifying for, or would reduce, a federal tax benefit, including a federal tax exclusion or deduction, which was originally claimed or could have been claimed for the contribution, including:

(a) an exclusion under Sections 2503(b) or 2503(c) of the Internal Revenue Code;

(b) a marital deduction under Sections 2056, 2056A, or 2523 of the Internal Revenue Code;

(c) a charitable deduction under Sections 170(a), 642(c), 2055(a), or 2522(a) of the Internal Revenue Code; or

(d) direct skip treatment under Section 2642(c) of the Internal Revenue Code.

(C) A trustee may not exercise, or participate in the exercise of, the powers granted by this section with respect to any trust if any of the following applies:

(1) the trustee is treated as the owner of all or part of such trust under Section 671 of the Internal Revenue Code or any similar federal, state, or other tax law;

(2) the trustee is a beneficiary of such trust; or

(3) the trustee is a related or subordinate party, as defined in Section 672(c) of the Internal Revenue Code, with respect to a person described in item (1) or (2) who is treated as the owner of all or part of such trust under Section 671 of the Internal Revenue Code or any similar federal, state, or other tax law or with respect to a beneficiary of such trust.

(D) If the terms of a trust require the trustee to act at the direction or with the consent of a trust advisor, a protector, or any other person, or that the decisions addressed in this section be made directly by a trust advisor, a protector, or any other person, the powers granted by this section to the trustee must instead or also be granted, as applicable under the terms of the trust, to the advisor, protector, or other person subject to the limitations set forth in subsection (C), which must be applied as if the advisor, protector, or other person were a trustee.

(E) A person may not be considered a beneficiary of a trust solely by reason of the application of this section, including for purposes of determining the elective share.

(F) The provisions of Section 62‑7‑109 regarding notices and the sending of documents to persons under this article apply for the purposes of notices and the sending of documents under this section.

Time effective

SECTION 6. This act takes effect upon approval by the Governor.

Ratified the 6th day of May, 2025.

Approved the 8th day of May, 2025.

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