

HOUSE BILL REPORT

SB 5068

As Reported By House Committee On:
Law & Justice

Title: An act relating to charitable trusts.

Brief Description: Regulating registration of charitable trusts.

Sponsors: Senators Roach, Haugen, Johnson and Winsley; by request of Secretary of State.

Brief History:

Committee Activity:

Law & Justice: 3/21/97 [DP].

HOUSE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass. Signed by 13 members: Representatives Sheahan, Chairman; McDonald, Vice Chairman; Sterk, Vice Chairman; Costa, Ranking Minority Member; Constantine, Assistant Ranking Minority Member; Carrell; Cody; Kenney; Lambert; Lantz; Radcliff; Sherstad and Skinner.

Staff: Bill Perry (786-7123).

Background: Generally, trusts that are set up for charitable purposes are required to register with the secretary of state.

Such trusts are defined as those that are held for a public charitable purpose— and those that are "subject to limitations permitting their use only for charitable, religious, eleemosynary, benevolent, education, or similar purposes." The attorney general has authority to investigate violations and to secure compliance with the charitable trust law. Any individual who is holding assets or property in the state for charitable purposes must register within two months of receiving possession or control of the trust. Every trustee also must file an annual report. All information filed with the secretary of state is public. However, if any portion of the trust is for other than charitable purposes, the trust instrument is not to be disclosed.

In some cases a charitable trust may be created as a remainder interest— following a life estate in the trust. That is, property that is the subject of the trust is given first to a person for use during his or her lifetime. Upon the death of the person the

charitable trust begins. The law requires that the instrument creating the trust must be filed within two months of the beginning of the life estate.

The secretary of state is directed to investigate— a variety of sources to obtain information necessary for the creation and maintenance of a register of charitable trusts. The custodians of court records pertaining to probate and trust matters, and public officials receiving applications for tax exempt status, are directed to furnish the secretary of state with information relating to charitable trusts.

Some entities that are required to register under the charitable trust law may also have to register under the charitable solicitations act. This act generally regulates practices and entities involved in fund raising for charitable purposes.

Summary of Bill: Several changes are made to the charitable trust law. These changes generally reduce the number of entities that must register and the amount of reporting required.

The secretary of state is authorized to set a threshold value for a charitable trust's income producing assets. A charitable trust with assets above this value will be required to register if all or part of the principal or income of the trust can or must currently be expended for charitable purposes, and if the trust is authorized to distribute its assets over a period greater than one year.

A remainder trust need register only when all preceding life estates have ended.

The time for initial registering is increased to four months following the acquisition of possession or control of the assets of a charitable trust. The general annual reporting requirement is eliminated, and trustees are required to file each publicly available— tax form that is filed with the federal government. The secretary of state may provide an exemption from reporting or an alternative reporting requirement for charitable trusts that are not required to file a federal tax return.

The secretary of state must withhold from public inspection any trust which is established for several or mixed purposes, any one of which is not charitable.

The requirements that the secretary of state investigate various sources for information, that custodians of court records report information on probate and trusts, and that public officials report information on tax exemption applications are all repealed.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill is important for the operation of the Office of the Secretary of State and for public participation in charitable efforts.

Testimony Against: None.

Testified: Ralph Munro, Secretary of State.