

SENATE BILL REPORT

SB 5100

As Reported By Senate Committee On:
Law & Justice, February 5, 1997

Title: An act relating to professional service corporations.

Brief Description: Allowing qualified trusts to hold shares in professional service corporations.

Sponsors: Senators Oke and Strannigan.

Brief History:

Committee Activity: Law & Justice: 1/28/97, 2/5/97 [DPS].

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: That Substitute Senate Bill No. 5100 be substituted therefor, and the substitute bill do pass.

Signed by Senators Roach, Chair; Johnson, Vice Chair; Fairley, Hargrove, Haugen, Kline, Long, McCaslin, Stevens and Zarelli.

Staff: Dick Armstrong (786-7460)

Background: Federal income and estate tax laws allow a person to put assets in a charitable remainder trust (CRT). A charitable remainder trust provides income each year to the creator of the trust and any monies remaining in the trust at the death of the trust's creator are given to the designated charity. The primary benefit of such a trust is that it allows a person to put an asset (usually an asset that has significantly appreciated in value) into the trust and, upon sale of the asset by the trust, the creator receives an income amount each year, while at the same time avoiding the payment of any capital gains tax.

At the present time all shareholders in a professional service corporation must be licensed members in the same profession (i.e. doctors, lawyers, accountants). This requirement precludes shareholders of a professional service corporation from taking advantage of the federal charitable remainder trust laws.

Summary of Substitute Bill: Shareholders of professional service corporations are allowed to transfer their shares to a qualified charitable trust.

Substitute Bill Compared to Original Bill: The substitute bill has a technical amendment to carry out the intent of the original bill.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The bill allows shareholders of professional corporations to take advantage of existing federal laws on taxation and estate planning.

Testimony Against: None.

Testified: Senator Oke, prime sponsor (pro); Bruce Buskirk, attorney (pro).