



Foley &
Pearson

BRIDGING
GENERATIONS

February 18, 2021

Senator Tom Begich
State Senate
State Capital Room 11
Juneau, Alaska 99801

Dear Senator Begich,

On behalf of the law firm of Foley & Pearson, P.C., I would like to emphasize the importance of and encourage the passage of Senate Bill 11 – *“An Act relating to community property and to community property trusts; and providing for an effective date.”*

Since 1997, Alaska has been a leader in adopting laws to improve estate and tax planning options for both Alaskans and non-Alaskans. One such law passed in 1998 allowed a married couple to elect into the community property regime of property ownership. This choice of property ownership allows couples to enjoy the benefits offered by community property, specifically the so-called “step-up” in basis for capital gains tax purposes. This step-up allows a surviving spouse to minimize his or her tax consequences on jointly owned property.

As stated, the primary purpose of Alaska’s optional community property system is to allow the surviving spouse to maximize the income tax benefit on appreciated property when the first spouse dies. To accomplish this purpose, appreciation and income must both be characterized as community property. The current language of subsection (h) of AS 34.77.030 needs to be clarified to expressly provide for the original intention of the 1998 legislation.

Without clarification of the existing statute, many of the estate plans that have been implemented may not function as intended. This could significantly impact Alaskan couples. The passage of SB 11 would clarify planning outcomes for all Alaskans who own community property.

With this, I would like to voice my strong support for the ratification of Senate Bill 11.

Very truly yours,

William M. Pearson, President
Foley & Pearson, P.C.