

ALASKA STATE LEGISLATURE
SENATE JUDICIARY COMMITTEE

March 19, 2001

1:44 p.m.

MEMBERS PRESENT

Senator Robin Taylor, Chair
Senator John Cowdery
Senator Gene Therriault

MEMBERS ABSENT

Senator Dave Donley, Vice Chair
Senator Johnny Ellis

COMMITTEE CALENDAR

HOUSE BILL NO. 34

"An Act relating to the statutory rule against perpetuities, to non-vested property interests and trusts, and to the suspension of the power of alienation of property; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

No previous action.

WITNESS REGISTER

Representative Lesil McGuire
Alaska State Capitol
Juneau, Alaska 99801-1182
POSITION STATEMENT: Sponsor of HB 34

Ms. Dana Olson
HC-30 Box 5438
Wasilla, Alaska 99654
POSITION STATEMENT: Opposed to SSHB 34

Mr. Rudy Vetter
PO Box 7032
Fairbanks, Alaska 99707
POSITION STATEMENT: Testified on SSHB 34

Mr. Steven DeVries

Assistant Attorney General
1031 W 4th Avenue, Suite 200
Anchorage, Alaska 99501-1994

POSITION STATEMENT: Listened to committee meeting

ACTION NARRATIVE

TAPE 01-9, SIDE A

Number 001

CHAIRMAN ROBIN TAYLOR called the Senate Judiciary Committee meeting to order at 1:44 p.m. Chairman Taylor announced the committee would be discussing SSHB 34.

#HB 34

HB 34-RULE AGAINST PERPETUITIES

REPRESENTATIVE LESIL MCGRUIRE, sponsor of HB 34: Thank you Mr. Chairman, members of the committee. Appreciate your taking the time to hear this in such a timely manner. Briefly, a little background that I'm sure most of you are aware of. Alaska has become one of the most forward thinking trust states. Our 1997 trust act, which many of you here in this room participated in drafting, has placed us right beside Delaware as one of the premiere states to invest in trusts. In light of that fact, those laws need to be carefully scrutinized and revised as changes are made, primarily through court interpretations of laws. What happened is that the original trust act was drafted with sort of a broad brush and the basic idea was to create a trust industry here in the state of Alaska. The sideboards put on it were that it had to be an Alaska trust company, and accordingly Alaskan jobs would be created. Those corporations obviously pay corporate income tax and property tax. But there were a few areas that the specifics fell by the way side.

Last year, your body passed on to us SB 162, which the house concurred with and was signed by the governor, which addressed the first deficiency that was discovered. That deficiency essentially was that there was a tax consequence when you wanted to give a special power of appointment if you wanted to use a special power of appointment to create a successive special power of appointment. It sounds like rather technical language and it is but it's an important distinction that needed to be made in our statutes because the consequences would have been rather dramatic had our court interpreted our law. It created a problem known as the Delaware Tax Trap, and if you notice in your bill packet, there is

an article on that Delaware Tax Trap. But essentially it's this notion that if you use that special power of appointment to create a successive power of appointment there will be immediate tax consequence in the form of an estate tax from the federal level. Clearly that was not the intent of this legislature in passing that, and it was an oversight in very technical language. So SB 162 was supported unanimously in both bodies and by the governor and passed on.

The bill that is before you today, HB 34, is an effort to correct another technical problem that was discovered in the bill. And I think one of the best ways that I could explain it would be, it's the statute as it reads, describes 'fruit.' If a court were to go in and discuss apples versus oranges, and specifics about oranges, there may be a problem. In other words, again, too big of a brush stroke was used in creating this particular section and a distinction wasn't fettered out between presently exercisable general powers and those of testamentary general powers. As you well know, all three of you, presently exercisable general powers are those that can be exercised within your life time - inter-vivous - and testamentary general powers are only those powers that can be exercised upon your death through your will. The bill that I have before you doesn't change any policy; the policy has already been adopted and enacted by the legislature. What it does is it cleans up the language to effectuate the purpose that's already been passed. And in doing that, it looks at the distinction that courts have made between presently exercisable general powers and testamentary general powers. And what it does, is it says that they vest at different points in time based on how the court interprets them. A presently exercisable general power is viewed as complete ownership and therefore it's viewed as vesting at the time of its creation. So the first part of the bill makes it clear that, yes it will vest, and it will vest at the time of the creation of the new appointment power and that's according to everything that we have learned from the way the courts interpret it, but we're going to assign it a period of 1,000 years. So for all intensive purposes it will continue on into perpetuity. For all intensive purposes it abolishes the rule against perpetuities, a 1,000 years is a long time. But it creates a very specific vesting point. Contrasted with section (c), which states that if it's a testamentary power of appointment or a successive non-general power that it will vest, but it will go back to, it's a relation-back concept, it will go back to the creation of the original document, and the vesting period will then be a 1,000 years from that point. It sounds really complicated but I think you all understand it very well and certainly had an opportunity to look at SB 162 last year, which got at the original problem, the original Delaware Tax Trap problem, and this is just a further

effort to ensure that we don't create tax consequences for the trusts that have been created to avoid them. And with that, I'll take any questions.

Number 487

SENATOR COWDERY: On the top of page 3, where it starts 'at least 30 years' and there's some other things - on page 2, can you explain that [indisc.] that's [indisc.] the purpose of that.

REPRESENTATIVE MCGUIRE: Senator Cowdery, top of page three, line 1.

SENATOR COWDERY: Yeah.

REPRESENTATIVE MCGUIRE: What that is actually, if you look at it, is clean-up language. The second section, all of section three, is legitimately clean-up language and it was designed to make it more specific. The language of, 'after every power,' we added 'of alienation' even though it could have been implied that it was a power of alienation. And then at the point where we say 'after the death of the individual alive at the time of creation,' that's language that is actually pulled from - if you look on page 2, starting at line 13, that language in section 1 is already there so it's an effort to put that language back into section 4 so that it is very clear. All of section 3 has absolutely no new effect whatsoever, it's merely a matter of cleaning it up, language wise, so that it is very clear about what power you're talking about and at what point that power will vest.

SENATOR COWDERY: Thank you.

Number 481

SENATOR THERRIAULT: The retroactive provision, April 22 - was that the effective date of SB 162?

REPRESENTATIVE MCGUIRE: Yes it is. And to clarify, obviously the purpose of that is so that those folks who created trusts won't have unpleasant consequences if something is ruled on so it will date back to our last year's bill.

Number 612

CHAIRMAN TAYLOR: Representative McGuire I really appreciate you bringing this before us because I started this process with this committee about five years ago, I think. And Representative Joe Ryan worked with us out of the house to bring several of these

pieces over also. I think we're talking of at least six or seven bills. And our purpose, as you stated, was to make Alaska an attractive state or venue for the residents of a trust. And the overall purpose was not only to provide people with that benefit, but to enhance those businesses within the state that would be guiding and directing those trusts. My frustration has been that we have seen a small amount of investment occurring within the state with a couple of banks that have worked hard at recruiting, if you will, people to transfer their trusts into this state so those reserve funds and other things - investment portfolios would be available and we would have some additional jobs out of it. Tragically, this administration has failed to enforce those provisions that are really left up to the Department of Commerce, Banking and Securities, to enforce, and that as far as I know, nobody has been going in through this administration and actually auditing some of these financial institutions in the state that are really very actively involved in this process. But all of the work is being done through their main branch, which is located in Iowa or Kansas or some darn place. And we've seen hundreds of millions of dollars flowing into those banks down there and bootstrapping it off of banks up here as if they had a head office up here. They don't. I guess my only inquiry was going to be to you, have you or your staff had a chance to really look into that?

REPRESENTATIVE MCGUIRE: Chairman Taylor, actually it's not a problem that has been brought to my attention prior to this committee hearing. But it's certainly something that we could look into. Obviously I'm aware of the true success stories that Alaska USA, credit union trust companies, and the Key banks and those, so I wasn't aware of that problem but it's certainly something I can look into.

CHAIRMAN TAYLOR: Well there were those who wished to take advantage of the law and - but to do it without locating a primary or a head office in this state, and without any enforcement from banking and securities, under the provisions that we passed, it means that if you've got a large multi-national kind of bank sitting down south someplace, where you write it up as if it's going through Alaska, and then you can do all these transactions, but the money ends up lodged in your bank down there and there are no jobs or benefits that come up here out of it.

I'm aware of the success stories and I'm very pleased that we were able to do this for the various banking institutions. In fact, I was visited while on the Kenai one time by one of the top bankers on the World Bank that happened to be there fishing, and looked me up because he wanted to say thanks on behalf of people he represented because of the hundreds of millions of dollars they had

been able to place in trust within the state of Alaska. He was primarily working through the National Bank of Alaska at that time. But no, there have been some real successes here. What I foresee is, probably a constant dribble of, for the next several years, clean-up bills like this because every time the tax courts or someone else makes a decision interpreting one of these provisions, then we end up with whatever the name of the case is coming down the pike, and then we have to rewrite our legislation around to close off a loop hole that some other court has now found. And that's, I think, part of the reason we're here today, is because of that. But if you'd help me a little bit in looking into some of that stuff, I'd sure appreciate it. It would be nice to get a response back from banking and securities and also the attorney generals office on the enforcements provisions and what they're doing about them.

I have no other questions, just wanted to thank you for bringing the bill forward

Number 898

SENATOR THERRIAULT: Mr. Chairman, just before we take any final vote on this, I did just want to disclose that my wife is an attorney. She does work in the area of tax avoidance and trust creation. I have no idea whether she has created any trust within this window that's impacted by the retroactive section of the bill or not but I did just want to give a general disclosure on that.

CHAIRMAN TAYLOR: We do have two witnesses to testify on teleconference. The first I turn to is Dana Olson. Ms. Olson is in Mat-Su. Can you hear me Miss Olson.

MS. DANA OLSON: Yea I can. I wanted to come before you today and become more educated, and to get a better understanding how your bill on rules against perpetuities addresses property and property interests that have been either futuristic interests or have been considered futuristic interests. I've listened with interest so far but you really haven't mentioned how the definition of alienation would effectively relate the property and property interests. As you know, property cannot be made on a case-by-case basis; it has to have some definition in order to be property. Otherwise, you are simply eroding our 14th amendment right, the right to own property. I have a couple of interesting situations concerning futuristic interests. And there again I lack the understanding of your bill on how this will affect me. One of them - alienation - there is no definition that I could find in your bill on property interests. And it can be by affect, I give you a scenario of a 1984 Chase Agricultural Homestead Lottery whereby

effect I'm being, my property is being alienated by environmental court precedent. This court precedent now is being considered at the SIP level of which the petitioner wants to eliminate the effect of the court precedent and have a SIP revision. I have a problem with that, being held to a standard of which the petitioner established, and then not providing me a means to be treated equally under the law. So I would have to ask that this committee consider the effect and perhaps maybe even insert that the Chase Agricultural Homestead Lottery, if the petitioner who sets the standard, is going to want the standard changed that we have some remedy.

I have a problem with the date, the retroactive date, because there again, it appears to be in the state's best interest to change the standard and there is no rationalization why I should be exempt.

I want to bring up also RS 2477 because it's alienation on property. At some point it was a futuristic interest. There again, there is no definition on alienation but your date would seem to suggest that you will be creating different classifications of RS 247 claims because it will be used as a defense claim to any asserted retroactive back-to-back date that their property interest alienation. It will give them an unequal opportunity to assert a defense claim, which I would not be able to. So I guess that basically - I would like to see a definition of what alienation is as it relates to property interest. Also alienation of, have to have a definition, whereas it's in a trust, a trust basically is interpreted by its wordage. Where property is asserted by statutory or code or what not, it will need clarification there. Thank you.

Number 1175

CHAIRMAN TAYLOR: Dana, I got to tell you you've thoroughly confused me and the panel because nothing within this bill, that I'm aware of, would impact in any way the subjects that you were discussing. This is a bill that would impact private trusts created by individuals who own property, whether it is real property or personal property and the decision that these people have made about how they want their property conveyed or held and what the tax aspects may be. That's what this bill effects and, if anything, this bill would give you greater rights with the disposition or alienation of your property, either real or personal than what you would have had under state law prior to the time we made these changes. In fact the changes that are suggested here are for the primary purpose of protecting individuals like you from paying additional federal taxes to the federal government because of the way in which they've placed their property for the

protection of their wife or their children or their grandchildren and placed it in trust. That's the purpose of the legislation. There's nothing within this legislation that would in any way that I can contemplate, at least, impact either RS 2477, which is a federal right granted as against property in this state prior to the time it was even conveyed at statehood. Nor is there anything that I'm aware of that would effect in a negative way your rights as an individual to sell, convey, or in anyway alienate your own personal property whether it's real property, dirt or personal property, cash or bonds or jewelry. You've confused me thoroughly, Dana, and if I'm missing something please correct me cause I'm not quite sure how your subjects relate to this bill.

MS. DANA OLSON: Okay, I'd be glad to. First of all I think there's a - I have followed your past bill in the last legislative session and it was stated that, it is the rule against perpetuities is a complex thing, and again I'm not a lawyer.

CHAIRMAN TAYLOR: Let me stop you right there for a minute. The rule against perpetuities was to prevent a person like you, if you owned a piece of ground out there in the Mat-Su Valley, you could not under the rule against perpetuities convey your property to your heirs forever to be used only for a farm in the Mat-Su Valley. That was because they ended up with people holding farmland in the middle of downtown London and the city needed the land to expand into, but nobody could get access to the land and they had to raise cows and pigs in the middle of downtown London. And so the old English common law said, wait a minute why isn't this property coming back into the market place, why isn't it turning over, why isn't somebody either able to buy it or sell it. Well, they couldn't buy it or sell it because the original deed said it had to be used for that purpose forever. So they came up with a rule and they said you can't establish a piece of property and lock it up forever like that, it violates the rule against perpetuities because it was locked up in perpetuity. So that's where the rule come from, and what we're saying here is that we are going to allow a trust to extend beyond the rule against perpetuities, which is by the way is measured by - many different jurisdictions measure it different ways but normally it's like 80, 90 years plus [indisc.]. In other words, if you had a great grandchild alive 90 years from now the trust wouldn't terminate till that last great grandchild died. So if you do it right you can probably extend a trust even on land for a period of maybe a hundred and fifty years. It otherwise would then have to come back into the main stream of market place and so on. So that's what it's all about, it's really the rule against perpetuities - limits people on what they can do. These amendments provide you and other people with a greater opportunity to tie up your assets for a longer period of time.

That's a policy call of course but that's what the legislature decided to do here.

MS. OLSON: I think you're misunderstanding. First of all my property doesn't relate to a trust, but it's being alienated from conveyance.

CHAIRMAN TAYLOR: No, no, what's happened to your property if you're impacted by an RS 2477, is that your concern?

MS. OLSON: No, I have two issues. One is my 1984 Chase Agricultural Homestead Lottery, which is a conveyance under state law.

CHAIRMAN TAYLOR: Right.

MS. OLSON: All right, and basically the conveyance, although March 2000 the entry permit does not need a best interest finding. I'm being impacted by a court decision which is a form of alienation of which a standard has been set in the state of which now a state agency wants to override, by regulation and SIP approval, this precedent case which effected my homestead.

CHAIRMAN TAYLOR: I think I understand the problems you've got and there are two of them probably. There's the case that now has changed your relationship or your authority over the property and that's the court case one. And you may have an RS 2477 concern too.

MS. OLSON: Yes I do and the RS 247, as you having been working with the statute of limitations, I have asserted my claims, therefore in relation to that, but the RS 247 issue is that I will be put into a different classification by your retroactive provision in your bill. I will be treated unequally, basically, than anyone of the future or present or the future. I object to that. RS 247 under your theory of law of the states was as transference at statehood, then we're all treated equally. I would think that if you were writing this bill saying that there cannot be any alienation on property, what you would be virtually saying is that the RS 247 could not be alienating the property as any that were retroactively back to April 21st of last year. So those would be in a different category than the ones asserted in 1998.

CHAIRMAN TAYLOR: Let me assure you that language has absolutely no effect or impact on RS 2477 rights. None.

MS. OLSON: Well it does in a sense because mine was prescribed already by federal survey. The state is trying to assert by

regulation the width and also in your prior bill, on the rule against perpetuities, when something is prescribed under a transference theory it doesn't enlarge, so when you take five to seven feet, and by regulation, want to insert that it is either 100 or 500 feet that is a property taking. So this bill has some relevance to RS 247, what you were working on last year has some relevance and the alienation aspect does have relevance.

CHAIRMAN TAYLOR: Okay, I guess it does. I haven't seen it yet. All we're talking about is your ability as a property owner to convey to your loved ones or people that you want to have in a trust. All we're talking about is your ability to sell, convey, alienate your land over to them in a trust.

MS. OLSON: The rule in itself has a greater capacity than what maybe your bill is talking about. It infers that it is. I read that it infers, it's talking about alienation and that it doesn't specifically exclude futuristic interests or interests that were futuristic at some point. Maybe if you had put a provision in your law excluding that, than I would feel more comfortable about asserting that it does not apply, but because there is no such language in the bill, I will have to assert that it does. One never presumes anything, it's simply factual. The rule against perpetuities as it effects alienation, it can effect conveyance currently as well as to my heirs. I have to do something pursuant to a court case of which now another state agency wants to override the court precedent. Therefore, I will be under alienation, and the present petitioner, the oil industry, will not have to be under the alienation. And I object to that. There is no rational basis why I should be held to a standard of which they should not be held to a standard.

CHAIRMAN TAYLOR: Dana, honest to goodness I think you are talking about a totally different subject than what we've got before us. I know you think there's some relationship but I can't for the life of me understand how it would do that to you.

MS. OLSON: Today in Alaska the agricultural homestead lottery basically today do not convey agricultural rights, usage - agricultural use, the right to use land. They actually convey a different type of property interest. So basically my family may be the only one. So you may not understand--

CHAIRMAN TAYLOR: I understand fully what has happened on agricultural rights and I've been fighting to try and reassert those rights along with Senator Green down here for some time. But believe me, Dana, that is a totally different question. That's the question of how much land do you own, how big is it, is it

encumbered in some way by an easement, are you allowed to use it for some purpose other than farming, must you be constricted to farming only. Those are the kind of questions you're talking about.

MS. OLSON: No, I'm talking about alienation of conveyance.

CHAIRMAN TAYLOR: I understand that, but you're confusing the words alienation of conveyance. Alienation is a right that you would have under law to sell your property.

MS. OLSON: My property is under the commissioner of natural resources.

CHAIRMAN TAYLOR: I understand that fully and it takes his consent because of the restrictions put on your land by the state when you first purchased that land and I know there's been court cases on it, Dana. But that has absolutely nothing to do with this, in fact, this bill, whatever rights you have in that land would allow you to do more with your land and more with your property than you are currently allowed to do under Alaskan law or federal law today. We're trying to expand your rights as an individual. We're not trying to constrict them.

MS. OLSON: The way I understand the bill, it does not allow for alienation.

CHAIRMAN TAYLOR: That's not true.

MS. OLSON: Okay.

CHAIRMAN TAYLOR: Honestly, that's not true. We're trying to expand the ability that you and your husband or family would have over this property to convey it in a way that would be more beneficial to you and your family in which you would pay fewer taxes. That's what we're trying to do.

MS. OLSON: I understand the concept of what your using it for but as far as - if you're going to define in Alaska statutes the rule against perpetuities, which is basically based on common law of which there is court precedent forever. Okay. And you're going to then use it only for trust, then there is confusion on whether or not we're under common law or whether we're under state law. You know what I'm saying and you're using the rule against perpetuities, which has a legal basis and a legal understanding to be narrowly interpreted for a specific purpose and you're specific purpose is, like you stated on it, relating to trusts. But what I'm trying to say is your bill does not exclude nor state that it

does not apply to futuristic interests. Had it done that, then I would feel comfortable about asserting what your stating, but it doesn't say that.

CHAIRMAN TAYLOR: Okay, well thanks much.

MS. OLSON: Thank you very much.

Number 1818

MR. RUDY VETTER: Good afternoon everyone.

CHAIRMAN TAYLOR: How you been, Rudy? It's been a long time since we had a chance to have a cup of coffee together.

MR. VETTER: Yeah, well we'll have to do that one of these days.

CHAIRMAN TAYLOR: I'll look forward to that. Would you like to testify on this bill 34?

MR. VETTER: Well just a little bit. I was going to ask a question - does this apply, in the case that you are a member of a corporation, does that apply so that you, this bill takes care of your interest in a corporation that you can pass that on or is this only for personal property?

CHAIRMAN TAYLOR: No, I believe this involves all forms of property, Rudy. As a consequence, it would allow you, I believe, to place your corporate stock, say if you could either do it now because you are alive, that's inter-vivous, you could also do it in a will, which would be a testamentary transfer into a trust. Once you had transferred that property, your corporate stock, into that trust, could the trustee then move forward and handle or do things with that stock, yes they could. And in fact, this would allow them to do so, literally in perpetuity. It would be a valid transfer for up to a 1,000 years under the interpretation of this bill, which you would not be allowed to do, but for.

MR. VETTER: Okay, I think I understand that and I think you've explained quite well.

CHAIRMAN TAYLOR: Well actually I overstated just then. You can do that today but without this language your estate might very well or your trustee at some time in the future who converted this stock to some other stock, would then be faced with an estate tax and you would have to or your trustee at the time would have to pay a significant amount of estate tax for making this change in ownership, this alienation or change or ownership. So believe me,

I don't specialize in this field and this is very complex stuff about trust law, but I'm advised this will allow people like yourself to place valuable stock, valuable patents, other instruments of value into a trust and then it will allow for greater flexibility on the part of your trustees with less liability in the form of potential taxes. That's the purpose of the legislation, Rudy.

MR. VETTER: Okay, I think I understand but I also have one concern. In some of these contracts that I have made in [indisc.] the word perpetuities was considered void and illegal so I hope the legal department has researched the word perpetuity - whether you can do that. I think you are doing it with the 1,000 year situation in here and that should take care of it. It looks good quite good to me.

I don't know why Dana is so, I believe that was her name, why she's so concerned. There's one thing we must remember about all legislatures, another legislature can come on, in another term, and change the law again. So you really find it pretty hard - I don't believe any legislature could put anything in perpetuity and make any law last forever. Because the succeeding legislatures, it may be 30 years, but they could change it too. Thank you.

CHAIRMAN TAYLOR: Well, I certainly agree with that, Rudy. It's just great to hear your voice and hear you're doing well up there. Yeah, we certainly can change things.

Let me give you a little quick background on why we're here on this stuff. People in the United States, frustrated over our tax laws, took their money out of the United States and placed it in Bahamian banks. The numbers I've been told may be as high as \$3 trillion of U.S. money, is currently sitting in either European or offshore banks. It's sitting out there because those people didn't want to pay estate taxes on it when it got conveyed upon their death from their estate over to their children or to their wife or whoever. So what they did, they ran offshore with this stuff. Now, the IRS would like to have some of that money back in the United States and we're hearing about a lot of negotiations going on, but no federal laws have been changed yet. And what the federal law changed, they're looking for - is that those people could bring their money back into the United States and would not have to pay an additional tax on it for their lives but upon their death then they would have to go through a normal trust and estate planning process. In anticipation of that, we in Alaska have structured our tax laws so as to provide them the same kinds of opportunities they were receiving in the Bahamian banks, basically to extend trusts beyond the rule against perpetuities and to provide for some additional

flexibility. In the process of doing that, we've changed Alaska's laws to the place where they are very attractive now as a place to put your investments, which would help people throughout the state. What this bill's all about, Rudy, is just some clean-up language because of various federal tax cases that have come up on these subjects to try and define in advance, before people end up going to court, the correct way of doing it so they don't get caught unawares and lose money back to Uncle Sam for tax purposes. That's really all we're doing here. But could this be changed in the future, you're absolutely right, it could be changed this year, next year, or ten years from now. Would it have the effect of wiping out the rule against perpetuities with these trusts, yes I think it would but only in a prospective basis, more than likely. And it would establish a new rule if they wanted to put a new rule against perpetuities on it. So yes you're correct, Rudy, anything we do here can be changed and let's thank god for that because we never know if we're doing it right and somebody may need to change it on us. But thank you for coming out Rudy. Any other comments?

MR. VETTER: Yeah, just a little bit on the stock market. The way it is, there's a lot of paper flying everywhere. And I think some of it's got to go into the stratosphere. We've got to watch it pretty closely. The only true medium of exchange for exchanging debts between governments is gold and gold is way down right now and we gold miners still hang on, saying we think it's going to go up. And I think this stock market is, regardless of what all the experts say, I can remember in 1929, I was just a boy, but the experts said, oh it's going to be fine, it'll be all right, just invest for the future. [indisc.] hang on for the future. That's all I've got to say.

CHAIRMAN TAYLOR: Rudy, thank you for coming out. I really appreciate the great things you have done for this state and the work you have done in the Fairbanks area on behalf of your friends and colleagues in the mining industry. I'm going to be up there this weekend, old friend; I'll be there on Saturday. If I get a chance I'll drop down to the coffee shop and we can have a cup of coffee together.

MR. VETTER: Give me a call at 457-5509. There's a lot of things I want to talk to you about.

CHAIRMAN TAYLOR: Well Rudy, I would enjoy that too. Okay, I'll give you a shout. Thank you.

Number 2147

REPRESENTATIVE MCGUIRE: Chairman Taylor, could I just add a couple

comments. I just want to make a couple comments.

This is Representative McGuire the prime sponsor of the bill and I just want to make a couple general comments to both of you who took the time to testify. I think the most important thing to remember is that this is a legislative policy that has been made. This is a construct, but that, in any event, if you are ever going to consider creating a trust for yourself, putting specific corporate property into a trust, any of those types of things, you absolutely should seek out a trust and estates lawyer who has specialties in the area who can explain the law, explain whether this is the right vehicle for you or not. It may or may not be. There may be another way to protect your property interests. I just wanted to echo what Senator Taylor was saying, which is that this really pertains to private trusts law, a very specific area of the law. When you start getting into RS 2477's and things like that, that really is a separate area.

And then the final thing I wanted to say was that you're right Rudy, there is a rule against perpetuity in the legislature and things can't just continue on and on into perpetuity. So at some point there were, lets say as state income tax, god forbid, implemented this area of the law may be revisited.

CHAIRMAN TAYLOR: Yeah, that's true. Okay, well thanks everyone. It wasn't my intent to move the bill today. Members had asked to have a little more time to understand it. You have a little more homework to do around here, I think. And I think it's because of the unique nature of this type of legislation, so I'm going to let it cook for maybe another week or so and we'll bring it back up and move it out.

SENATOR THERRIAULT: Is that the extent of people to testify?

CHAIRMAN TAYLOR: That's the only ones I have.

SENATOR THERRIAULT: Is Steve Greer on line?

MR. STEVEN DEVRIES: My name is Steve DeVries, I'm here but I'm not---, if Representative McGuire was taking about Steve Greer?

REPRESENTATIVE MCGUIRE: Yeah.

MR. DEVRIES: No, my name is Steve DeVries, I'm here.

CHAIRMAN TAYLOR: Okay, if you have any comments we'd be happy to take them.

MR. DEVRIES: I'm assistant attorney general, monitoring the status of this bill.

CHAIRMAN TAYLOR: Well maybe you can tell me, did I tell Dana the right things?

MR. DEVRIES: Senator Taylor, I think as far as a rendition against the rules of perpetuities you may want to consider writing a textbook. However, I can't promise you I'd buy a copy of it.

CHAIRMAN TAYLOR: Well thank you for that. I'll give you a quick story; I think it's a fascinating one. Bob Ziegler's father, a wonderful gentleman named A.H. Ziegler, both of them are long gone, god rest their souls, but A.H. Ziegler had read law for two years or three in a lawyers office and felt that he was ready to take the bar exam. So he took the bar exam in Nome, Alaska, and the bar exam in those days was an oral exam conducted in an attorney's office. And so the bar would authorize an attorney in your town to examine you and you would go to his office where he and others would ask you questions. So A.H. Ziegler showed up in the attorney's office in Nome and there were two other attorneys' there. And the very first question asked of him was, please define for me the rule in Shelly's case. And A. H. in telling me this story, allowed as how he went on for about 20 minutes, and I was shocked to hear that because I didn't think I could go on for five minutes on the rule in Shelly's case, but he had gone on for about 20 minutes explaining the complexities of that rule and was then interrupted by one of the attorney's examining him. It was the host attorney who'd asked the question initially and this other attorney interrupted and he said, Mr. Ziegler you're wrong, the rule in Shelly's case is such and such. He said which initiated quite a discussion among the three examining attorneys as to which one was right about the rule in Shelly's case and he said that argument between the three examiners continued on for about another 25 minutes. He said at which point one of the guest attorneys looked at the host attorney and said, my god George we've been in your office for over 45 minutes now and you still haven't offered us a drink. At this point, George, the host attorney, turned to his safe, opened it up, took out a bottle of scotch, and apparently that ended the exam and A. H. was told he had passed. So sometimes these arcane rules of law do have beneficial effects. But enough of my reminiscing here.

Thank you so much for standing by, is there anyone else on the teleconference that has a question or would like to give testimony on this bill? Anybody here? Okay, we're going to hold the bill till next Wednesday, it will be on the calendar and it will be my intent to move the bill out at that time. Thank you all for

attending. We're adjourned.
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