

SENATE BILL NO. 165

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE JUDICIARY COMMITTEE

Introduced: 1/17/12

Referred: Judiciary, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to property exemptions for retirement plans; relating to pleadings,
2 orders, liability, and notices under the Uniform Probate Code; relating to the Alaska
3 Principal and Income Act; relating to the Alaska Uniform Transfers to Minors Act;
4 relating to the disposition of human remains; relating to insurable interests for life
5 insurance policies; relating to transfers of individual retirement plans; relating to the
6 community property of married persons; and amending Rule 301(a), Alaska Rules of
7 Evidence."

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 * **Section 1.** AS 09.38.017(a) is amended to read:

10 (a) In addition to the exemption under AS 09.38.015(b), the following are
11 exempt from a claim of an individual's or beneficiary's creditor:

12 (1) the interest of the individual or beneficiary in a retirement plan;

13 [AND]

1 (2) the money or other assets payable to the individual from a
2 retirement plan;

3 **(3) the interest of a beneficiary in a retirement plan that the**
4 **beneficiary acquired as a result of the death of an individual; the amount of an**
5 **exemption under this paragraph is the same as the amount of the individual's**
6 **interest in the plan when**

7 **(A) the individual died, if the beneficiary received the**
8 **interest after the individual's death; or**

9 **(B) the interest was transferred to the beneficiary by the**
10 **individual during the individual's life; and**

11 **(4) the money or other assets payable to a beneficiary from a**
12 **retirement plan if the beneficiary acquired the money or other assets as a result**
13 **of the death of an individual who would have had an exemption in the money or**
14 **other assets payable from the retirement plan during the individual's life.**

15 * **Sec. 2.** AS 09.38.017(d) is amended to read:

16 (d) A retirement plan exempt from claims under (a) of this section is
17 conclusively presumed to be a spendthrift trust under this section, **except for**
18 **transfers or assignments under AS 34.40.113.**

19 * **Sec. 3.** AS 09.38.017(e) is amended to read:

20 (e) In this section,

21 (1) "alternate payee" has the meaning given in 26 U.S.C. 414(p)(8);

22 (2) **"beneficiary" includes a person, trust, or trustee who has,**
23 **before or after the death of the participant, owner, or alternate payee, a direct or**
24 **indirect beneficial interest in a retirement plan; in this paragraph, "beneficial**
25 **interest" includes an interest acquired as a designated beneficiary, survivor,**
26 **co-annuitant, heir, or legatee;**

27 **(3)** "individual" means [AN INDIVIDUAL WHO IS] a participant in,
28 **an owner** [A BENEFICIARY] of, or an alternate payee of a retirement plan;

29 **(4)** [(3)] "retirement plan" means

30 **(A)** a retirement plan that is qualified under 26 U.S.C. 401(a),
31 26 U.S.C. 403(a), 26 U.S.C. 403(b), 26 U.S.C. 408, 26 U.S.C. 408A, [OR] 26

1 U.S.C. 409, 26 U.S.C. 414(d), 26 U.S.C. 414(e), or 26 U.S.C. 457 (Internal
2 Revenue Code); and

3 (B) the teachers' retirement system under AS 14.25, the
4 judicial retirement system under AS 22.25, the public employees'
5 retirement system under AS 39.25, and the elected public officers'
6 retirement system under former AS 39.37.

7 * **Sec. 4.** AS 13.06.120 is amended to read:

8 **Sec. 13.06.120. Pleadings; when parties bound by orders; notice.** In any
9 proceedings involving trusts, nonprobate assets, or estates of decedents, minors,
10 protected persons, or incapacitated persons brought under AS 13.06 - AS 13.36 or
11 AS 13.38, [INCLUDING ANY JUDICIALLY SUPERVISED SETTLEMENTS AND
12 ANY NONJUDICIAL PROCEEDINGS AND SETTLEMENTS,] the following
13 apply:

14 (1) interests to be affected shall be described in pleadings that give
15 reasonable information to owners by name or class, by reference to the instrument
16 creating the interests, or in other appropriate manner;

17 (2) persons are bound by orders binding others in the following cases:

18 (A) orders binding the sole holder or all co-holders of a power
19 of revocation or a general or nongeneral power of appointment, including one
20 in the form of a power of amendment, bind other persons to the extent their
21 interests, as objects, takers in default, or otherwise, are subject to the power;

22 (B) to the extent there is no conflict of interest between them or
23 among persons represented, orders binding a conservator bind the person
24 whose estate the conservator controls; orders binding a guardian bind the ward
25 if no conservator of the estate has been appointed; orders binding a trustee bind
26 beneficiaries of the trust in proceedings to probate a will establishing or adding
27 to a trust, to review the acts or accounts of a prior fiduciary, and in proceedings
28 involving creditors or other third parties; orders binding a personal
29 representative bind persons interested in the undistributed assets of a
30 decedent's estate in actions or proceedings by or against the estate; and orders
31 binding an agent having authority to act with respect to the particular questions

1 or dispute bind the principal; if there is no conflict of interest and no
2 conservator or guardian has been appointed, a parent may represent the minor
3 child;

4 (C) an unborn person, a minor, an incapacitated person, or a
5 person whose identity or location is unknown or not reasonably ascertainable
6 who is not otherwise represented is bound by an order to the extent the interest
7 is adequately represented by another party having a substantially identical
8 interest in the proceeding;

9 (D) with regard to interests given upon the happening of a
10 certain event to persons who comprise a certain class, orders binding the living
11 persons who would constitute the class, if the event had happened immediately
12 before the commencement of the proceeding, bind all members of the class;

13 (E) with regard to an interest given to a living person when the
14 same interest or a share of the interest is to pass to the surviving spouse or to
15 persons who are or might be the distributees, devisees, heirs, or issue of the
16 living person upon the happening of a future event, orders binding the living
17 person bind the surviving spouse, distributees, devisees, heirs, or issue of the
18 living person;

19 (F) with regard to interests given to a person or a class of
20 persons, or to both, upon the happening of a future event, if the same interest
21 or a share of the interest is to pass to another person or class of persons, or to
22 both, upon the happening of an additional future event, orders binding the
23 living person or class of persons who would take the interest upon the
24 happening of the first event bind the persons and classes of persons who might
25 take on the happening of the additional future event;

26 (G) if a person is designated by a trust instrument to represent
27 and bind a born or unborn beneficiary of the trust and receive a notice,
28 information, accounting, or report for the beneficiary, then the beneficiary is
29 bound by an order binding the designated person; in this subparagraph,

30 (i) the settlor may make the designation in the trust
31 instrument, in a separate document, or by a trust protector authorized in

1 the trust instrument to make the designation;

2 (ii) except as otherwise provided in this subparagraph, a
3 person designated under (i) of this subparagraph may not represent and
4 bind a beneficiary while the designated person is serving as trustee;

5 (iii) except as otherwise provided in this subparagraph,
6 a person designated under (i) of this subparagraph may not represent
7 and bind another beneficiary if the designated person also is a
8 beneficiary, unless the designated person was named by the settlor, is
9 the beneficiary's spouse, or is a grandparent or descendant of a
10 grandparent of the beneficiary or the beneficiary's spouse; in this sub-
11 subparagraph, "spouse" means the individual to whom the beneficiary
12 is married and with whom the beneficiary is living, and a physical
13 separation primarily for education, business, health, and similar reasons
14 does not prevent the individual from being considered to be living with
15 the beneficiary;

16 (3) a person representing another person under (2)(A) - (F) of this
17 section and a person designated under (2)(G)(i) of this section are not liable to the
18 beneficiary whose interests are represented, or to a person claiming through that
19 beneficiary, for an action or omission to act made in good faith;

20 (4) notice is required as follows:

21 (A) notice as prescribed by AS 13.06.110 shall be given to
22 every interested person or to one person who can bind an interested person as
23 described in (2)(A), (B), or (D) - (G) of this section; notice may be given both
24 to a person and to another person who may bind the person;

25 (B) notice is given to unborn persons, a minor, an incapacitated
26 person, or a person whose identity or location is unknown or not reasonably
27 ascertainable, and persons who are not represented under (2)(A), (B), or (D) -
28 (G) of this section, by giving notice to all known persons whose interests in the
29 proceedings are substantially identical to those of the unborn persons, the
30 minor, the incapacitated person, or the person whose identity or location is
31 unknown or not reasonably ascertainable;

1 (5) at any point in a proceeding, a court may appoint a guardian ad
 2 litem to represent the interest of an unborn person, a minor, an incapacitated person, or
 3 a person whose identity or address is unknown or not reasonably ascertainable, if the
 4 court determines that representation of the interest otherwise would be inadequate; if
 5 not precluded by conflict of interests, a guardian ad litem may be appointed to
 6 represent several persons or interests; the court shall set out its reasons for appointing
 7 a guardian ad litem as a part of the record of the proceeding.

8 * **Sec. 5.** AS 13.06.120 is amended by adding a new subsection to read:

9 (b) In this section,

10 (1) "order" means a judicial order, nonjudicial order, the result of the
 11 settlement of an account of a fiduciary under a procedure authorized by AS 13.06 -
 12 13.36 or AS 13.38, and a settlement agreement resulting from a proceeding;

13 (2) "proceeding" means a judicial proceeding, nonjudicial proceeding,
 14 the settlement of an account of a fiduciary under a procedure authorized by AS 13.06 -
 15 13.36 or AS 13.38, and a settlement negotiation, even if the settlement negotiation
 16 does not involve a judicial or nonjudicial third party who decides or facilitates a
 17 settlement.

18 * **Sec. 6.** AS 13.38.200(b) is amended to read:

19 (b) In exercising a discretionary power of administration regarding a matter
 20 within the scope of this chapter, whether granted by the governing instrument or this
 21 chapter, including AS 13.38.210 and 13.38.300 - 13.38.490 [13.38.300 - 13.38.410], a
 22 fiduciary shall administer a trust or estate impartially based on what is fair and
 23 reasonable to all of the beneficiaries, except to the extent that the governing
 24 instrument clearly manifests an intention that the fiduciary shall or may favor one or
 25 more of the beneficiaries. A determination in accordance with this chapter is presumed
 26 to be fair and reasonable to all of the beneficiaries.

27 * **Sec. 7.** AS 13.38.210(c) is amended to read:

28 (c) A trustee may not make an adjustment under this section if

29 (1) the adjustment would diminish the income interest in a trust that
 30 requires all of the income to be paid at least annually to a spouse and for which a
 31 federal estate tax or gift tax marital deduction would be allowed, in whole or in part, if

1 the trustee did not have the power to make the adjustment; the prohibition in this
 2 paragraph does not apply to a trust after the trustee determines that the marital
 3 deduction has not been claimed or has not been allowed;

4 (2) the adjustment would reduce the actuarial value of the income
 5 interest in a trust to which a person transfers property with the intent to qualify for a
 6 federal gift tax exclusion;

7 (3) the adjustment would change the amount payable to a beneficiary
 8 as a fixed annuity or a fixed fraction of the value of the trust assets;

9 (4) the adjustment is from any amount that is permanently set aside for
 10 charitable purposes under the governing instrument and for which a federal estate or
 11 gift tax charitable deduction has been taken, unless both income and principal are
 12 permanently set aside for charitable purposes under the governing instrument;

13 (5) possessing or exercising the power to make an adjustment would
 14 cause an individual to be treated as the owner of all or part of the trust for federal
 15 income tax purposes, and the individual would not be treated as the owner if the
 16 trustee did not possess the power to make an adjustment;

17 (6) possessing or exercising the power to make an adjustment would
 18 cause all or part of the trust assets to be subject to federal estate or gift tax with respect
 19 to an individual, and the assets would not be subject to federal estate or gift tax with
 20 respect to the individual if the trustee did not possess the power to make an
 21 adjustment;

22 (7) the trustee is a beneficiary of the trust; or

23 (8) the trust has been converted to a unitrust under AS 13.38.300 -
 24 13.38.435 [AS 13.38.300 - 13.38.410].

25 * **Sec. 8.** AS 13.38.300 is amended to read:

26 **Sec. 13.38.300. Power to convert to unitrust.** Unless expressly prohibited by
 27 the governing instrument, a trustee may release the power to adjust under
 28 AS 13.38.210 and may convert a trust into a unitrust as described in AS 13.38.300 -
 29 13.38.435 [AS 13.38.300 - 13.38.410] if

30 (1) the trustee determines that the conversion will enable the trustee to
 31 better carry out the intent of the settlor or testator and the purposes of the trust;

1 (2) the trustee gives written notice of the trustee's intention to release
 2 the power to adjust, of the trustee's intention to convert the trust into a unitrust, **of the**
 3 **unitrust percentage selected, of the smoothing period selected,** and of how the
 4 unitrust will operate, including what initial decisions the trustee **intends to** [WILL]
 5 make under **AS 13.38.340** [THIS SECTION], to all the sui juris beneficiaries who

6 (A) are currently eligible to receive income from the trust;

7 (B) would be eligible, if a power of appointment were not
 8 exercised, to receive income from the trust if the interest of all of the
 9 beneficiaries eligible to receive income under (A) of this paragraph were to
 10 terminate immediately before the giving of the notice; and

11 (C) would, if a power of appointment were not exercised,
 12 receive a distribution of principal if the trust were to terminate immediately
 13 before the giving of the notice;

14 (3) there are at least one sui juris beneficiary under (2)(A) of this
 15 section and at least one sui juris beneficiary under (2)(B) or (C) of this section; and

16 (4) a sui juris beneficiary does not object to the conversion to a unitrust
 17 in a writing delivered to the trustee within 60 days after the mailing of the notice under
 18 (2) of this section.

19 * **Sec. 9.** AS 13.38.310(a) is amended to read:

20 (a) A trustee may petition the court to approve the conversion to a unitrust if

21 (1) a beneficiary timely objects to the conversion to a unitrust; [OR]

22 (2) there is not a sui juris beneficiary who is eligible under

23 **AS 13.38.300(2); or**

24 **(3) the trustee is a beneficiary** [AS 13.38.300(2)(A), AND THERE
 25 IS NOT A SUI JURIS BENEFCIARY WHO IS ELIGIBLE UNDER
 26 AS 13.38.300(2)(B) OR (C)].

27 * **Sec. 10.** AS 13.38.330(b) is amended to read:

28 (b) After a trust has been converted to a unitrust, "income" in the governing
 29 instrument means an annual distribution equal to **the amount produced by the**
 30 **application of a fixed unitrust percentage established under (d) of this section to**
 31 [FOUR PERCENT OF] the net fair market value, as determined annually, of the trust's

1 assets, whether the assets would be considered income or principal under other
2 provisions of this chapter, averaged over the lesser of

3 (1) the preceding years in the smoothing period selected by the
4 trustee; or

5 (2) the period during which the trust has been in existence.

6 * **Sec. 11.** AS 13.38.330 is amended by adding a new subsection to read:

7 (d) The unitrust percentage to be used in determining the unitrust amount must
8 be a reasonable current return from the unitrust of at least three percent and not more
9 than five percent, taking into account the intentions of the trustor of the unitrust as
10 expressed in the governing instrument, the needs of the beneficiaries, general
11 economic conditions, projected current earnings for the unitrust, projected
12 appreciation for the unitrust, and the effect of projected inflation on the unitrust.

13 * **Sec. 12.** AS 13.38.340 is amended to read:

14 **Sec. 13.38.340. Trustee's discretionary powers regarding unitrust.** The
15 trustee may, in the trustee's discretion, from time to time, determine

- 16 (1) the effective date of a conversion to a unitrust;
17 (2) the provisions for prorating a unitrust distribution for a short year
18 in which a beneficiary's right to payments commences or ceases;
19 (3) the frequency of unitrust distributions during the year;
20 (4) the effect of other payments from or contributions to the trust on
21 the trust's valuation;
22 (5) whether to value the trust's assets annually or more frequently;
23 (6) whether to use a smoothing period of three, four, or five years;
24 (7) what valuation dates to use;
25 (8) [(7)] how frequently to value nonliquid assets and whether to
26 estimate their value;
27 (9) [(8)] whether to omit trust property occupied or possessed by a
28 beneficiary from the calculations; and
29 (10) [(9)] other matters necessary for the proper functioning of the
30 unitrust.

31 * **Sec. 13.** AS 13.38.350(b) is amended to read:

(b) Unless otherwise provided by the governing instrument, a unitrust distribution shall be considered to have been paid from net income as net income would be determined if the trust were not a unitrust. To the extent net income is insufficient, the unitrust distribution shall be considered to have been paid from **ordinary income that is allocable under federal income tax rules to net income as determined for a unitrust. To the extent that the ordinary income is insufficient, the unitrust distribution is considered to have been paid from** net realized short-term capital gains. To the extent **net** income, **ordinary income**, and net realized short-term capital gains are insufficient, the unitrust distribution shall be considered to have been paid from net realized long-term capital gains. To the extent **net** income, **ordinary income**, and net realized short-term and long-term capital gains are insufficient, the unitrust distribution shall be paid from the principal of the trust.

* **Sec. 14.** AS 13.38.360 is amended to read:

Sec. 13.38.360. Court orders regarding unitrust. The trustee or, if the trustee declines to petition the court, a beneficiary may petition the court to

[(1) SELECT A PAYOUT PERCENTAGE DIFFERENT THAN FOUR PERCENT;

(2)] provide for a distribution of net income, as would be determined if the **unitrust** [TRUST] were not a unitrust, in excess of the unitrust distribution if the distribution is necessary to preserve a tax benefit [;

(3) AVERAGE THE VALUATION OF THE TRUST'S NET ASSETS OVER A PERIOD OTHER THAN THREE YEARS].

* **Sec. 15.** AS 13.38.390(b) is amended to read:

(b) If AS 13.38.380(a)(3), (4), or (6) applies to all the trustees, the trustees may petition the court to direct a conversion. **In the alternative, the trustees may appoint an independent person who shall be granted the authority, while acting in a fiduciary capacity, to make decisions in place of the trustees relating to a conversion, reconversion, and the exercise of discretionary powers under AS 13.38.340.**

* **Sec. 16.** AS 13.38.400 is amended to read:

Sec. 13.38.400. Reconversion from a unitrust. A trustee may reconvert a

1 trust that has been converted into a unitrust under AS 13.38.300 by following the same
 2 procedures provided in AS 13.38.300 - 13.38.435 [AS 13.38.300 - 13.38.410] for
 3 converting a trust into a unitrust. If a unitrust is reconverted under this section, the
 4 trustee's power to adjust under AS 13.38.210 applies to the trustee after the
 5 reconversion.

6 * **Sec. 17.** AS 13.38 is amended by adding new sections to article 2 to read:

7 **Sec. 13.38.420. Additional unitrust provisions.** (a) The unitrust amount may
 8 be determined by reference to the net fair market value of the unitrust's assets in one or
 9 more years.

10 (b) Distribution of a unitrust amount is considered a distribution of all of the
 11 income of a unitrust and is considered to be an income interest.

12 (c) Distribution of a unitrust amount is considered to be a reasonable
 13 apportionment of the total return of a unitrust.

14 (d) A unitrust that provides for a distribution based on a unitrust percentage in
 15 excess of five percent of the net fair market value of the unitrust assets a year is
 16 considered to have paid out all of the income of the unitrust and to have paid out
 17 principal of the unitrust to the extent that the distribution exceeds five percent a year.

18 (e) The governing instrument of a unitrust may grant discretion to the trustee
 19 to adopt a consistent practice of treating capital gains as part of the unitrust amount to
 20 the extent that the unitrust amount exceeds the income determined as if the trust were
 21 not a unitrust, or the governing instrument may specify the ordering of classes of
 22 income.

23 (f) Unless the terms of the unitrust specifically provide otherwise, a unitrust
 24 amount is considered to have been made from the following sources, which are listed
 25 in order of priority:

- 26 (1) net income determined as if the trust were not a unitrust;
- 27 (2) ordinary income not allocable to net income;
- 28 (3) net realized short-term capital gains;
- 29 (4) net realized long-term capital gains; and
- 30 (5) the principal of the trust estate.

31 (g) The unitrust governing instrument may provide that the trustee may

1 exclude assets used by the unitrust beneficiary, such as a residence property or
 2 tangible personal property, from the net fair market value of the unitrust assets for the
 3 purposes of computing the unitrust amount. These assets may be considered
 4 equivalent to income or to the unitrust amount.

5 **Sec. 13.38.430. Power to treat gains as part of distribution of principal.**

6 Unless prohibited by the unitrust's governing instrument or specifically addressed by
 7 AS 13.38.350 or 13.38.420, the trustee of a unitrust may treat gains from the sale of
 8 capital assets of the unitrust to be part of a distribution of principal to a beneficiary,
 9 and, if the trustee treats these gains as part of a distribution of principal to a
 10 beneficiary, the trustee shall treat these gains consistently on the unitrust's books,
 11 records, and tax returns as part of a distribution to a beneficiary.

12 **Sec. 13.38.435. Definitions.** In AS 13.38.300 - 13.38.435,

13 (1) "smoothing period" means the period of years over which the fair
 14 market value of the assets of a unitrust are averaged;

15 (2) "unitrust amount" means the amount that is distributed from a
 16 unitrust to a beneficiary;

17 (3) "unitrust percentage" means the unitrust percentage established
 18 under AS 13.38.330(d).

19 * **Sec. 18.** AS 13.38.690(a) is repealed and reenacted to read:

20 (a) A trustee shall allocate

21 (1) to income that portion of a payment that equals the greater of the
 22 following:

23 (A) the portion that the payor characterizes as interest, a
 24 dividend, a remittance in place of interest, or a remittance in place of a
 25 dividend; or

26 (B) the portion that is characterized as imputed interest for
 27 federal income purposes;

28 (2) to principal that portion of a payment that remains after the
 29 allocation is made under (1) of this subsection.

30 * **Sec. 19.** AS 13.38.690(b) is amended to read:

31 (b) If **no** [A] part of a payment under a contract calling for equal installments

1 over a fixed period of time is [NOT] allocable to income under the provisions of (a) of
 2 this section, the difference between the trust's acquisition value of the contract and the
 3 total expected return is [SHALL BE] considered to be interest. The trustee shall
 4 allocate to income the portion of each payment equivalent to interest on the then
 5 unpaid principal balance at the rate specified in the contract or at a rate necessary to
 6 amortize the difference between the expected return and the acquisition value, where
 7 that rate is readily ascertainable by the trustee.

8 * **Sec. 20.** AS 13.38.690(c) is amended to read:

9 (c) If no [THERE IS NOT A] portion of a payment from a separate fund held
 10 exclusively for the benefit of the trust [THAT] is allocable to income under (a) or (b)
 11 of this section, but the internal net income of the fund determined as if the fund were a
 12 separate trust subject to AS 13.38.200 - 13.38.410, 13.38.500 - 13.38.690, or
 13 13.38.710 - 13.38.860 [AS 13.38.500 - 13.38.860] is readily ascertainable by the
 14 trustee, the internal net income of the fund is considered to be the income earned
 15 by the fund, and the portion of the payment equal to the then undistributed net
 16 income of the fund realized since the trust acquired its interest in the fund is
 17 considered to be a distribution of that internal net income of the fund and shall be
 18 allocated to the trust income account. The balance of the payment described in this
 19 subsection shall be allocated to principal. The power to adjust under AS 13.38.210,
 20 the power to convert to a unitrust under AS 13.38.300, and the provisions of
 21 AS 13.38.420 apply to retirement benefits covered by this subsection that are
 22 payable to a trust. These powers and provisions may be exercised by the payee
 23 trustee or in the governing instrument for the retirement benefits separately and
 24 independently from the exercise by the payee trustee or in the governing
 25 instrument of these powers and provisions for the trust, as if the retirement
 26 benefits and the trust were separate trusts subject to this chapter.

27 * **Sec. 21.** AS 13.38.690(d) is amended to read:

28 (d) A trustee shall allocate 10 percent of the part of the payment that is
 29 required to be made during the accounting period to income and the balance to
 30 principal if there is no [NOT A] part of the payment that is allocable to income under
 31 (a) - (c) of this section and all or part of the payment is required to be made. The

1 trustee shall allocate the entire payment to principal if no [A] part of a payment is
2 [NOT] required to be made or the payment received is the entire amount to which the
3 trustee is entitled. In this subsection, a payment is not "required to be made" to the
4 extent that it is made because the trustee exercises a right of withdrawal.

5 * **Sec. 22.** AS 13.38.690(e) is amended to read:

6 (e) If, to obtain a federal estate or gift tax marital deduction for a trust, the
7 trustee must allocate more of a payment to income than provided for by this section,
8 the trustee shall allocate to income the additional amount necessary to obtain the
9 marital deduction [TO INCOME].

10 * **Sec. 23.** AS 13.46.195(d) is amended to read:

11 (d) The time for transfer to the minor of custodial property transferred under
12 AS 13.46.040 may be changed under this section if the governing will or trust or
13 nomination provides in substance that the custodianship is to continue until the time
14 the minor attains a specified age. That time may not be earlier than the time the minor
15 attains 18 years of age [OR LATER THAN THE TIME THE MINOR ATTAINS 25
16 YEARS OF AGE], and, in that case, the governing will or trust or nomination shall
17 determine the time to be specified in the transfer under AS 13.46.080.

18 * **Sec. 24.** AS 13.46.195(e) is amended to read:

19 (e) The time for transfer to the minor of custodial property transferred under
20 AS 13.46.030 may be changed under this section if the transfer under AS 13.46.080
21 provides in substance that the custodianship is to continue until the time the minor
22 attains a specified age. That time may not be earlier than the time the minor attains 18
23 years of age [OR LATER THAN THE TIME THE MINOR ATTAINS 25 YEARS
24 OF AGE].

25 * **Sec. 25.** AS 13.46.195 is amended by adding new subsections to read:

26 (h) Notwithstanding (b) - (f) of this section, a custodian may extend the time
27 for transfer to the minor of custodial property to an age older than the age that is
28 specified in the transfer document or that is specified otherwise by this chapter. To
29 extend the time for transfer, the custodian shall give the minor written notice of the
30 minor's right to compel immediate distribution under (i) of this section. The custodian
31 shall give the notice during the later of the following periods:

1 (1) the six-month period that precedes the age for distribution specified
2 in the transfer document or specified otherwise by this chapter; or

3 (2) the six-month period that begins on the minor's 18th birthday.

4 (i) Notwithstanding (h) of this section, a minor may compel immediate
5 distribution of custodial property by giving written notice to the custodian. To compel
6 immediate distribution, the minor shall give the notice during the six-month period
7 that begins on the date that is the later of

8 (1) the age for distribution specified in the transfer document or
9 specified otherwise by this chapter; or

10 (2) the minor's 18th birthday.

11 * **Sec. 26.** AS 13 is amended by adding a new chapter to read:

12 **Chapter 75. Disposition of Human Remains.**

13 **Sec. 13.75.010. Directions by decedent.** (a) A person may provide directions
14 for the disposition of the person's remains by placing the directions in a disposition
15 document. The directions may include or be limited to designating an agent to control
16 the disposition of the person's remains.

17 (b) A disposition document must be signed by the person and acknowledged
18 before a notary public, and contain the form and contents required by AS 13.75.030. A
19 disposition document may be a separate document or it may be contained in another
20 document, including a will or prepaid funeral or burial contract. The disposition
21 document may be modified or revoked only by a subsequent disposition document that
22 complies with this subsection.

23 **Sec. 13.75.020. Persons authorized to control disposition.** (a) The following
24 persons, in the priority listed, may control disposition of a decedent's remains:

25 (1) a person designated in a disposition document as the disposition
26 agent for the decedent;

27 (2) a person serving, or nominated by the decedent in the decedent's
28 will to serve, as the personal representative of the decedent's estate, if the person is
29 acting according to the decedent's written instructions contained in the decedent's will;

30 (3) the individual who was the spouse of the decedent at the time of the
31 decedent's death;

1 (4) the sole surviving competent adult child of the decedent, or, if there
2 is more than one surviving competent adult child of the decedent, the majority of the
3 surviving competent adult children; fewer than one-half of the surviving competent
4 adult children may exercise the rights and duties of this section if these surviving adult
5 children use reasonable efforts to notify all other surviving competent adult children
6 that they are exercising these rights and duties and are not aware of any opposition by
7 one-half or more of all of the surviving competent adult children;

8 (5) the surviving competent parents of the decedent; if one of the
9 surviving competent parents is absent, the remaining competent parent may exercise
10 the rights and duties of this section after reasonable efforts have been unsuccessful in
11 locating the absent surviving competent parent; in this paragraph, "absent" means a
12 person who is unable to communicate decisions or participate in making decisions
13 regarding the disposition of a decedent's remains personally, telephonically, or through
14 electronic communication;

15 (6) the surviving competent adult person in the next degrees of
16 kindred, the two surviving competent adult persons of the same degree of kindred if
17 there are two, or, if there are more than two surviving competent adult persons of the
18 same degree of kindred, the majority of those persons; fewer than the majority of
19 surviving competent adult persons of the same degree of kindred may exercise the
20 rights and duties of this section if those persons use reasonable efforts to notify all
21 other surviving competent adult persons of the same degree of kindred that they are
22 exercising these rights and duties and are not aware of any opposition by one-half or
23 more of all surviving competent adult persons of the same degree of kindred;

24 (7) in the case of an indigent or another individual whose final
25 disposition is the responsibility of the state or a municipality, a public administrator,
26 medical examiner, coroner, or another public official charged with arranging the final
27 disposition of the decedent; or

28 (8) another person who is willing to assume legal and financial
29 responsibility.

30 (b) If a person takes control of the disposition under (a) of this section, the
31 person is liable for the reasonable costs of the disposition.

1 (c) In this section,

2 (1) "adult" means a person who is 18 years of age or older;

3 (2) "competent" means a person who does not suffer from disabilities
4 that prevent the person from managing the person's property or affairs.

5 **Sec. 13.75.030. Form of disposition document.** A disposition document must
6 be in substantially the following form:

7 DISPOSITION DOCUMENT

8 You can select Part 1, Part 2, or both, by completing the part(s)
9 you select, including providing any signatures indicated. Part 3 contains
10 general statements and a place for your signature. You must sign in
11 front of a notary.

12 PART 1. APPOINTMENT OF AGENT TO CONTROL
13 DISPOSITION OF REMAINS. If you appoint an agent, you and your
14 agent must complete this part as indicated, and the agent must sign this
15 part.

16 I, _____, being of sound mind, wilfully and
17 voluntarily make known my desire that, on my death, the disposition of
18 my remains shall be controlled by _____ (name of agent first
19 named below), and, with respect to that subject only, I appoint that
20 person as my agent. All decisions made by my agent with respect to the
21 disposition of my remains, including cremation, are binding.

22 ACCEPTANCE BY AGENT OF APPOINTMENT.

23 THE AGENT, AND EACH SUCCESSOR AGENT, BY
24 ACCEPTING THIS APPOINTMENT, AGREES TO AND ASSUMES
25 THE OBLIGATIONS PROVIDED IN THIS DOCUMENT. AN
26 AGENT MAY SIGN AT ANY TIME, BUT AN AGENT'S
27 AUTHORITY TO ACT IS NOT EFFECTIVE UNTIL THE AGENT
28 SIGNS BELOW TO INDICATE THE ACCEPTANCE OF
29 APPOINTMENT. ANY NUMBER OF AGENTS MAY SIGN, BUT
30 ONLY THE SIGNATURE OF THE AGENT ACTING AT ANY
31 TIME IS REQUIRED.

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AGENT:
Name: _____
Address: _____
Telephone Number: _____
Signature Indicating Acceptance of Appointment:

Date of Signature: _____

SUCCESSORS:
If my agent dies, becomes legally disabled, resigns, or refuses to act, I appoint the following persons (each to act alone and successively, in the order named) to serve as my agent to control the disposition of my remains as authorized by this document:

(1) First Successor
Name: _____
Address: _____
Telephone Number: _____
Signature of First Successor Indicating Acceptance of Appointment:

Date of Signature: _____

(2) Second Successor
Name: _____
Address: _____
Telephone Number: _____
Signature of Second Successor Indicating Acceptance of Appointment:

Date of Signature: _____

PART 2. DIRECTIONS FOR THE DISPOSITION OF MY REMAINS.
Stated below are my directions for the disposition of my remains:

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If the disposition of my remains is by cremation, then (pick one):

() I do not wish to allow any of my survivors the option of canceling my cremation and selecting alternative arrangements, regardless of whether my survivors consider a change to be appropriate.

() I wish to allow only the survivors I have designated below to have the option of canceling my cremation and selecting alternative arrangements, if they consider that a change to be appropriate:

PART 3. GENERAL PROVISIONS AND SIGNATURE.

WHEN DIRECTIONS BECOME EFFECTIVE. The directions, including any appointment of an agent, in this disposition document become effective on my death.

REVOCAION OF PRIOR APPOINTMENTS. I revoke any prior appointment of any person to control the disposition of my remains.

SIGNATURE OF PERSON MAKING DISPOSITION DOCUMENT

Signature: _____

Date of signature: _____

(Notary acknowledgment of signature)

Sec. 13.75.040. Agent's appointment. The person appointed as an agent in a disposition document may sign the disposition document at any time, but the agent's authority to act is not effective until the agent signs the instrument.

Sec. 13.75.050. Exercise of authority. If a person fails to exercise the person's authority to control disposition under AS 13.75.020 within 48 hours after receiving notification of the decedent's death or within 48 hours after the decedent's death, whichever is earlier, the person may not control the disposition of the decedent's

1 remains, and the right to control the disposition of the decedent's remains passes to the
2 person who is next listed in priority under AS 13.75.020. If the person to whom the
3 right to control the disposition passes under this section fails to exercise the person's
4 authority to control the disposition within 48 hours after being notified that the
5 authority to control the disposition has passed to the person, the authority to control
6 the disposition passes to the person who is next listed in priority under AS 13.75.020.

7 **Sec. 13.75.060. Certain persons prohibited from control.** If a person is
8 charged with a felonious killing in connection with a decedent's death and if the
9 funeral director or the cemetery knows about the charge, then the person may not
10 control disposition, and the right to control disposition passes to the person who is
11 next listed in priority under AS 13.75.020.

12 **Sec. 13.75.070. Prohibition of cremation; written instructions.** A person
13 may not authorize cremation for a decedent's remains if a decedent has left directions
14 in a disposition document that the decedent does not wish to be cremated.

15 **Sec. 13.75.080. Implementation of directions.** (a) The person authorized to
16 control the disposition shall carry out the directions of the decedent to the extent that
17 the decedent's estate or the person is financially able to carry out the directions.

18 (b) Notwithstanding any other provision in AS 13.06 - 13.36 (Uniform Probate
19 Code), if a person provides directions in a disposition document that is contained in a
20 will, the directions shall be carried out immediately without the necessity of probate. If
21 the will is not probated or is declared invalid for testamentary purposes, the directions
22 are valid to the extent to which they have been acted on in good faith.

23 **Sec. 13.75.090. Misrepresentation; liability.** If a person represents that the
24 person knows the identity of a decedent, and, with the intent to procure the disposition
25 of the decedent's remains, signs a statement, other than a death certificate, that
26 identifies the decedent, the person guarantees the identity of the decedent and is liable
27 for any damages that result, directly or indirectly, from that guarantee.

28 **Sec. 13.75.100. Liability.** (a) A disposition organization is not liable for
29 carrying out the directions of a decedent if the disposition organization carries out the
30 directions of a decedent or a person who establishes that the person is entitled to
31 control the disposition.

1 (b) This section may not be construed to reduce or eliminate the liability of a
2 disposition organization for its negligence or reckless acts.

3 **Sec. 13.75.110. Disputes.** (a) A person listed in AS 13.75.020 who is involved
4 in a dispute with one or more persons listed in AS 13.75.020 about which of the
5 persons has the authority to control disposition may bring an action in the superior
6 court to resolve the dispute.

7 (b) If there is a dispute with one or more persons listed in AS 13.75.020 about
8 which person has the authority to control disposition, a cemetery organization or
9 funeral establishment is not liable for refusing to accept, to inter, or otherwise to
10 dispose of the decedent's remains until the cemetery organization or funeral
11 establishment receives a court order or another suitable confirmation that the dispute
12 has been resolved.

13 **Sec. 13.75.120. Exemptions.** The disposition of the remains of a member of
14 the organized militia under AS 26.05.262, the disposition of the remains of a member
15 of the armed forces under AS 26.10.065(a), and the disposition of the remains of a
16 member of the United States Coast Guard under AS 26.10.065(b) are exempt from this
17 chapter.

18 **Sec. 13.75.190. Definitions.** In this chapter,

19 (1) "control" means the authority to control disposition;

20 (2) "directions" means

21 (A) instructions for the disposition of a person's remains;

22 (B) the appointment of an agent to handle the disposition of a
23 person's remains; or

24 (C) both (A) and (B) of this paragraph;

25 (3) "disposition" means disposition of a decedent's remains, including
26 cremation, but does not include an anatomical gift; in this paragraph, "anatomical gift"
27 has the meaning given in AS 13.52.390;

28 (4) "disposition document" means a disposition document authorized
29 by AS 13.75.010

30 (A) in which a person provides directions regarding the
31 disposition of the person's remains; and

1 (B) that complies with AS 13.75.030;

2 (5) "disposition organization" means

3 (A) a cemetery association formed under AS 10.30.010;

4 (B) a nonprofit cemetery corporation authorized by
5 AS 10.30.055;

6 (C) a person operating a crematory;

7 (D) a person operating a columbarium;

8 (E) a funeral home or other type of funeral establishment;

9 (F) a funeral director or an embalmer.

10 **Sec. 13.75.195. Short title.** This chapter may be cited as the Disposition of
11 Human Remains Act.

12 * **Sec. 27.** AS 21.42.020 is amended by adding new subsections to read:

13 (e) Notwithstanding (a) of this section, a trustee, acting in a fiduciary capacity,
14 may procure or cause to be procured an insurance contract that is on the life or body of
15 an individual and under which the proceeds of the insurance contract are payable to
16 the trustee, acting in a fiduciary capacity, if

17 (1) the trustee, acting in a fiduciary capacity, owns the insurance
18 contract or the trust itself owns the insurance contract;

19 (2) on the date the contract is made, a settlor of the trust is the
20 individual insured, has an insurable interest in the individual insured, or would have
21 had an insurable interest in the individual insured if the settlor were living at the time
22 the contract was made; in this paragraph, "settlor" has the meaning given in
23 AS 13.36.390; and

24 (3) the proceeds of the contract are primarily for the benefit of a trust
25 beneficiary who has an insurable interest in the individual insured, except that, if the
26 determination of the trust beneficiary's insurable interest is based on (d)(1) of this
27 section, the trust beneficiary's relation by blood or law must be within the third degree.

28 (f) A person who has an insurable interest in the life or body of an individual
29 may form a business firm that is substantially or solely for the purpose of purchasing,
30 holding, or administering an insurance contract on the life or body of the individual. In
31 this subsection, "firm" has the meaning given in AS 21.97.900, but also includes a

1 business trust and a joint venture.

2 * **Sec. 28.** AS 34.40 is amended by adding a new section to read:

3 **Sec. 34.40.113. Transfers of individual retirement plans.** Notwithstanding a
4 provision in AS 09.38.017(d), AS 34.40.110, or another law to the contrary, a person
5 may voluntarily transfer or assign the person's interest in an individual retirement plan
6 established under 26 U.S.C. 408 or 26 U.S.C. 408A if the person

7 (1) is the owner of or a participant in the individual retirement plan; or

8 (2) has inherited the proceeds of the individual retirement plan from an
9 employee who is a participant in the individual retirement plan.

10 * **Sec. 29.** AS 34.77.030(g) is amended to read:

11 (g) Whether or not the community property agreement provides that all
12 property acquired by either or both spouses during the marriage is community
13 property, and except to the extent otherwise expressly provided **by the spouses** in the
14 community property agreement **or by the settlors in a community property trust,**
15 property acquired by a spouse during marriage and after the determination date is
16 individual property if acquired

17 (1) by gift or a disposition at death made by a third person to the
18 spouse and not to both spouses;

19 (2) in exchange for or with the proceeds of other individual property of
20 the spouse;

21 (3) from appreciation or income of the spouse's individual property
22 except to the extent that the income or appreciation is classified as community
23 property under AS 34.77.130;

24 (4) by a decree, community property agreement, written consent, or
25 reclassification under AS 34.77.060(b) designating it as the individual property of the
26 spouse;

27 (5) as a recovery for damage to property under AS 34.77.140, except
28 as specifically provided otherwise in a decree, community property agreement,
29 **community property trust,** or written consent; [OR]

30 (6) as a recovery for personal injury, except for the amount of the
31 recovery attributable to expenses paid or otherwise satisfied from community

1 property; **or**

2 **(7) as a transfer to a community property trust and declared by**
 3 **the trust to be the individual property of the spouse.**

4 * **Sec. 30.** AS 34.77.050(b) is amended to read:

5 (b) A gift of community property to a third person that is not allowed under
 6 (a) of this section is subject to **AS 34.77.140(e) - (h)** [(d) OF THIS SECTION] unless
 7 both spouses act together in making the gift or the other spouse ratifies the gift.

8 * **Sec. 31.** AS 34.77.110 is amended by adding new subsections to read:

9 (f) Property that spouses agree in a community property agreement is
 10 community property or property that is transferred to a community property trust and
 11 expressly declared by the trust to be community property is owned as community
 12 property regardless of the form of title to the property, even if the title indicates that
 13 the property is owned unequally by the spouses or is only in the name of one spouse.

14 (g) If the title to community property is in a form that provides for ownership
 15 by survivorship between the spouses, then ownership by survivorship is presumed to
 16 have been made with the consent of both spouses.

17 (h) If a spouse with management and control of community property
 18 designates a beneficiary for the property on the death of one or both of the spouses,
 19 and if the community property is held in a form of title that permits a beneficiary
 20 designation, the beneficiary designation is effective only for the designating spouse's
 21 one-half interest in the community property unless the other spouse consents in
 22 writing to the designation. A designation of the following as the beneficiary is
 23 presumed to have been made with the consent of the other spouse:

24 (1) the other spouse or an ancestor or descendant of either spouse;

25 (2) a charity; or

26 (3) a trust, to the extent that the beneficiaries consist of persons or
 27 entities identified in (1) or (2) of this subsection.

28 (i) The testimony of one spouse is sufficient to rebut a presumption
 29 established under this section.

30 (j) A disposition of community property contrary to (e) - (h) of this section is
 31 voidable. An action in court to void the disposition must be commenced within the

1 time specified by AS 34.77.140(e).

2 * **Sec. 32.** AS 34.77.140(d) is amended to read:

3 (d) Except as provided otherwise in (e) - (h) of this section
4 [AS 34.77.050(d)], a spouse must begin an action against the other spouse under (a) of
5 this section within three years after acquiring actual knowledge of the facts giving rise
6 to the claim.

7 * **Sec. 33.** AS 34.77.140 is amended by adding new subsections to read:

8 (e) Except as provided by (f) - (h) of this section, if a gift of community
9 property during marriage by a spouse does not comply with AS 34.77.050(a), the
10 nondonor spouse may bring an action to recover the property or the amount of money
11 by which the gift exceeded the limit under AS 34.77.050(a). The nondonor spouse
12 may bring the action against the donor spouse, the gift recipient, or both. The
13 nondonor spouse must commence the action within the earliest of the following times:

14 (1) one year after the nondonor spouse receives notice of the gift;

15 (2) one year after dissolution of the marriage; or

16 (3) on or before the deadline for filing a claim under AS 13.16.460
17 after the death of the donor spouse.

18 (f) If a recovery under (e) of this section occurs during the marriage of the
19 donor spouse and the nondonor spouse, the property or money that is recovered is
20 considered community property. If the recovery occurs after the dissolution of the
21 marriage of the donor and nondonor spouses or after the death of either the donor or
22 the nondonor spouse, the recovery is limited to 50 percent of the property or money
23 that would have been recovered if the recovery had occurred during the marriage.

24 (g) If a transfer of community property to a third person during marriage by a
25 spouse acting without the other spouse becomes a completed gift on the death of the
26 donor spouse, or if an arrangement involving community property during marriage by
27 a spouse acting without the other spouse is intended to be and becomes a gift to a third
28 person on the death of the donor spouse, the surviving spouse may bring an action in
29 court against the gift recipient to recover one-half of the gift. To bring an action under
30 this subsection, the surviving spouse must commence the action on or before the
31 deadline for filing a claim under AS 13.16.460.

1 (h) If a spouse who would have been entitled to bring an action under (e) - (g)
2 of this section predeceases the donor spouse, the deceased spouse's successor in
3 interest may bring an action for recovery under (e) - (g) of this section, but the action
4 must be commenced within one year after the deceased spouse's death. Recovery in an
5 action under this subsection is the same as if the donor spouse had predeceased the
6 spouse entitled to the recovery, but the amount of the recovery is calculated as of the
7 date of the death of the spouse entitled to the recovery.

8 * **Sec. 34.** AS 13.38.330(c); AS 13.46.195(g); and AS 34.77.050(d) and 34.77.110(d) are
9 repealed.

10 * **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 **INDIRECT COURT RULE CHANGE.** AS 34.77.110(i), enacted by sec. 31 of this
13 Act, has the effect of amending Rule 301(a), Alaska Rules of Evidence, by specifying the
14 evidence that is sufficient to rebut a presumption under AS 34.77.110(i), enacted by sec. 31 of
15 this Act.

16 * **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 **APPLICABILITY.** (a) AS 09.38.017(a), as amended by sec. 1 of this Act,
19 AS 09.38.107(d), as amended by sec. 2 of this Act, and AS 09.38.017(e), as amended by sec.
20 3 of this Act, apply to a retirement plan that exists before, on, or after the effective date of this
21 Act. In this section, "retirement plan" has the meaning given in AS 09.38.017(e), as amended
22 by sec. 3 of this Act.

23 (b) AS 34.40.113, added by sec. 28 of this Act, applies to a retirement plan that exists
24 before, on, or after the effective date of this Act. In this section, "retirement plan" means an
25 individual retirement plan established under 26 U.S.C. 408 or a Roth individual retirement
26 plan established under 26 U.S.C. 408A.

27 * **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to
28 read:

29 **CONDITIONAL EFFECT.** AS 34.77.110(i), enacted by sec. 31 of this Act, takes
30 effect only if sec. 35 of this Act receives the two-thirds majority vote of each house required
31 by art. IV, sec. 15, Constitution of the State of Alaska.