

HB

219

Sponsor Statement
HB 219

“An act relating to the Abolition of Rule Against Perpetuities, and providing for an effective date.”

. This legislation corrects a technical problem created by the Alaska Trust Act. The Alaska Trust Act effectively repealed the rule against perpetuities. As a practical matter, this old common rule prevented the continuation of trusts for longer than 90 to 110 years. The Alaska Trust Act changed the common law rule to allow a trust to continue in perpetuity if the income of principle of the trust could be distributed in the discretion of the trustee to a person who was living when the trust was created.

The problem with the Alaska Trust Act is that it does not allow a person to create a perpetual charitable lead trust. A typical perpetual charitable lead would pay all income to a charity for a term of 20 years (not to a person who was living when the trust was created) and then would continue in perpetuity for the benefit of the descendants of the person creating the trust. Since the passage of the Alaska Trust Act, many persons have contacted trust companies and attorneys in Alaska and have expressed a desire to create perpetual charitable lead trusts. This new legislation would completely repeal the rule against perpetuities and would permit the creation of perpetual charitable lead trusts.