

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672  
4737 HJUD HB 465 - HB 468

3

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: HB 465  
PUBLISH DATE: 2/11/88

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Dept. of Administration  
 Title: "An Act relating to criminal proceedings involving certain minors..." BRU: Public Defender Agency  
 Sponsor: Representative Ulmer Components: First, Third and Fourth Judicial Districts  
 Requestor: HESS

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		254.6	264.8	275.4	286.4	297.9
TRAVEL		6.0	6.2	6.4	6.6	6.8
CONTRACTUAL		9.0	9.4	9.8	10.2	10.6
SUPPLIES		6.0	6.2	6.4	6.6	6.8
EQUIPMENT		12.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	287.6	286.6	298.0	309.0	322.1

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	287.6	286.6	298.0	309.8	322.1
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	3.0	3.0	3.0	3.0	3.0
PART-TIME		3.0	3.0	3.0	3.0	3.0
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Please see attached analysis.

Prepared by: Dana Fabe, Public Defender Phone: 279-7541  
 Division: Public Defender Agency Date: 2/26/88

Approved by Commissioner: John Andrews Date: 3/4/88  
 Agency: Department of Administration

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

## CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 465

Proposed House Bill No. 465 requires the criminal courts to consider the effect a request for continuance of a criminal trial would have on witnesses or alleged victims who are minors. It states in pertinent part:

If either party submits a motion...for continuance of the proceedings, the court shall consider and give weight to any adverse effect that the requested...continuance may have on the minor.

To the extent that this legislation would cause courts to go beyond the current balancing of the needs of the parties, creating a body of "fast track" child sexual abuse cases, its fiscal impact would be significant on affected state agencies. It should be noted that these types of cases comprise a high percentage of all felony filings in Superior Court. A substantial number of these cases go to trial because of the mandatory jail terms of 8 years.

Because of their number, the significant penalty provisions and the complexity of litigating these cases, the Public Defender felony trial staff would not be in a position to absorb these "fast track" cases. Pre-trial motion work, regularly required in child sexual abuse cases, also intensifies the litigation of these cases. Therefore, additional staff attorneys and support personnel would have to be put in place to litigate the cases on the expedited timeline which would likely result from the passage of this bill.

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 465

BUDGET ANALYSIS

100	Juneau	Attorney III	66.0	
		Legal Secretary I (½)	15.9	
	Anchorage	Attorney III	66.0	
		Legal Secretary I (½)	15.9	
	Fairbanks	Attorney III	74.4	
		Legal Secretary I (½)	16.4	
				254.6
200	Travel	Expert witnesses, etc.		6.0
300	Contractual	Experts, office space, etc.		9.0
400	Supplies			6.0
500	Equipment	(One time) furniture, dictation, word processors, etc.		<u>12.0</u>
			TOTAL	287.6

Position Title Legal Secretary I			No. of Positions 1	Range/Step 10A	Barg. Unit G																																				
Time Status PPT	Staff Months 6	Location Juneau		Election District 4																																					
<table border="1"> <thead> <tr> <th colspan="2">Type of Expenditure</th> <th>Amount</th> </tr> <tr> <th>1</th> <th>2</th> <th>3</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td></td> <td rowspan="4"></td> </tr> <tr> <td>Benefits</td> <td></td> </tr> <tr> <td>Premium Pay</td> <td></td> </tr> <tr> <td>Other</td> <td></td> </tr> <tr> <td colspan="2">Total Personal Services</td> <td>15.9</td> </tr> <tr> <td>Travel</td> <td></td> <td></td> </tr> <tr> <td>Contractual</td> <td></td> <td></td> </tr> <tr> <td>Commodities</td> <td></td> <td>1.0</td> </tr> <tr> <td>Equipment</td> <td></td> <td>2.0</td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td colspan="2">Total Cost</td> <td>18.9</td> </tr> </tbody> </table>			Type of Expenditure		Amount	1	2	3	Salary			Benefits		Premium Pay		Other		Total Personal Services		15.9	Travel			Contractual			Commodities		1.0	Equipment		2.0	Other			Total Cost		18.9	<b>Justification</b> HB 465 will have the effect of speeding up trials which involve children under 16 as victims or witnesses. The practical result of this for the Public Defender Agency will be that additional attorneys and clerical staff will be required to handle these serious cases and be ready for trial on a "fast track" basis. This is due to the number of these cases, the significant penalty provisions and the complexity of the litigation involved. An Attorney III and a half-time Legal Secretary are requested for Juneau.		
Type of Expenditure		Amount																																							
1	2	3																																							
Salary																																									
Benefits																																									
Premium Pay																																									
Other																																									
Total Personal Services		15.9																																							
Travel																																									
Contractual																																									
Commodities		1.0																																							
Equipment		2.0																																							
Other																																									
Total Cost		18.9																																							
<table border="1"> <thead> <tr> <th colspan="2">Funding Source for Total Cost</th> <th></th> </tr> </thead> <tbody> <tr> <td>Federal Receipts</td> <td>1002</td> <td></td> </tr> <tr> <td>G. F. Match</td> <td>1003</td> <td></td> </tr> <tr> <td>General Fund</td> <td>1004</td> <td>18.9</td> </tr> <tr> <td>GF Program Receipts</td> <td>1005</td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> </tbody> </table>			Funding Source for Total Cost			Federal Receipts	1002		G. F. Match	1003		General Fund	1004	18.9	GF Program Receipts	1005		Other																							
Funding Source for Total Cost																																									
Federal Receipts	1002																																								
G. F. Match	1003																																								
General Fund	1004	18.9																																							
GF Program Receipts	1005																																								
Other																																									

1/17B1/0303-01

**Request For  
New Position**

Agency Department of Administration  
 BRU Public Defender Agency  
 Component First Judicial District

Page 4 of 9  
 Revised Date

**FY 89**

Position Title <b>Attorney III</b>		No. of Positions <b>1</b>	Range/Step <b>22A</b>	Barg. Unit <b>X</b>
Time Status <b>PFT</b>	Staff Months <b>12</b>	Location <b>Juneau</b>		Election District <b>4</b>
		Justification		
Type of Expenditure		Amount		
<b>1</b>	<b>2</b>	<b>3</b>		
Salary				
Benefits				
Premium Pay				
Other				
<b>Total Personal Services</b>		<b>66.0</b>		
Travel		2.0		
Contractual		3.0		
Commodities		1.0		
Equipment		2.0		
Other				
<b>Total Cost</b>		<b>74.0</b>		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	74.0		
GF Program Receipts	1005			
Other				

HB 465 will have the effect of speeding up trials which involve children under 16 as victims or witnesses. The practical result of this for the Public Defender Agency will be that additional attorneys and clerical staff will be required to handle these serious cases and be ready for trial on a "fast track" basis. This is due to the number of these cases, the significant penalty provisions and the complexity of the litigation involved. An Attorney III and a half-time Legal Secretary are requested for Juneau.

1/17B1/0303-02/1&2

**Request For  
New Position**

Agency Department of Administration  
 BRU Public Defender Agency  
 Component First Judicial District

Page 5 of 9  
 Revised Date

**FY 89**

Position Title <b>Attorney III</b>		No. of Positions <b>1</b>	Range/Step <b>22A</b>	Barg. Unit <b>X</b>
Time Status <b>PFT</b>	Staff Months <b>12</b>	Location <b>Anchorage</b>		Election District <b>7-15</b>
Justification				
HB 465 will have the effect of speeding up trials which involve children under 16 as victims or witnesses. The practical result of this for the Public Defender Agency will be that additional attorneys and clerical staff will be required to handle these serious cases and be ready for trial on a "fast track" basis. This is due to the number of these cases, the significant penalty provisions and the complexity of the litigation involved. An Attorney III and a half-time Legal Secretary are requested for Anchorage.				
Type of Expenditure		Amount		
1	2	3		
Salary				
Benefits				
Premium Pay				
Other				
Total Personal Services		66.0		
Travel		2.0		
Contractual		3.0		
Commodities		1.0		
Equipment		2.0		
Other				
Total Cost		74.0		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	74.0		
GF Program Receipts	1005			
Other				

1/17B1/0303-02/3&4

**Request For  
New Position**

Agency Department of Administration  
 BRU Public Defender Agency  
 Component Third Judicial District

Page 6 of 9  
 Revised Date \_\_\_\_\_

**FY 89**

Position Title Legal Secretary I		No. of Positions 1	Range/Step 10A	Barg. Unit G	
Time Status PPT	Staff Months 6	Location Anchorage		Election District 7-15	
Type of Expenditure		Justification			
Amount		<p>HB 465 will have the effect of speeding up trials which involve children under 16 as victims or witnesses. The practical result of this for the Public Defender Agency will be that additional attorneys and clerical staff will be required to handle these serious cases and be ready for trial on a "fast track" basis. This is due to the number of these cases, the significant penalty provisions and the complexity of the litigation involved. An Attorney III and a half-time Legal Secretary are requested for Anchorage.</p>			
1	2				3
Salary					
Benefits					
Premium Pay					
Other					
Total Personal Services					15.9
Travel					
Contractual					
Commodities					1.0
Equipment		2.0			
Other					
Total Cost		18.9			
Funding Source for Total Cost					
Federal Receipts 1002					
G. F. Match 1003					
General Fund 1004		18.9			
GF Program Receipts 1005					
Other					

1/17B1/0303-02/5&6

**Request For  
New Position**

Agency Department of Administration  
 BRU Public Defender Agency  
 Component Third Judicial District

Page 7 of 9  
 Revised Date

**FY 89**

Position Title <b>Attorney III</b>		No. of Positions <b>1</b>	Range/Step <b>22A</b>	Barg. Unit <b>X</b>
Time Status <b>PFT</b>	Staff Months <b>12</b>	Location <b>Fairbanks</b>		Election District <b>19-21</b>
		Justification		
Type of Expenditure		Amount		
<b>1</b>	<b>2</b>	<b>3</b>		
Salary				
Benefits				
Premium Pay				
Other				
<b>Total Personal Services</b>		<b>74.4</b>		
Travel		<b>2.0</b>		
Contractual		<b>3.0</b>		
Commodities		<b>1.0</b>		
Equipment		<b>2.0</b>		
Other				
<b>Total Cost</b>		<b>82.4</b>		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	<b>82.4</b>		
GF Program Receipts	1005			
Other				

HB 465 will have the effect of speeding up trials which involve children under 16 as victims or witnesses. The practical result of this for the Public Defender Agency will be that additional attorneys and clerical staff will be required to handle these serious cases and be ready for trial on a "fast track" basis. This is due to the number of these cases, the significant penalty provisions and the complexity of the litigation involved. An Attorney III and a half-time Legal Secretary are requested for Fairbanks.

1/17B1/0303-02/7&8

**Request For  
New Position**

Agency Department of Administration  
 BRU Public Defender Agency  
 Component Fourth Judicial District

Page 8 of 9  
 Revised Date

**FY 89**

Position Title Legal Secretary I			No. of Positions 1	Range/Step 10A	Barg. Unit G
Time Status PPT	Staff Months 6		Location Fairbanks		Election District 19-21
			Justification		
Type of Expenditure			Amount		
1	2	3			
Salary					
Benefits					
Premium Pay					
Other					
Total Personal Services		16.4			
Travel					
Contractual					
Commodities			1.0		
Equipment			2.0		
Other					
Total Cost		19.4			
Funding Source for Total Cost					
Federal Receipts	1002				
G. F. Match	1003				
General Fund	1004	19.4			
GF Program Receipts	1005				
Other					
<p>HB 465 will have the effect of speeding up trials which involve children under 16 as victims or witnesses. The practical result of this for the Public Defender Agency will be that additional attorneys and clerical staff will be required to handle these serious cases and be ready for trial on a "fast track" basis. This is due to the number of these cases, the significant penalty provisions and the complexity of the litigation involved. An Attorney III and a half-time Legal Secretary are requested for Fairbanks.</p>					

1/17B1/0303-02/9&10

**Request For  
New Position**

Agency Department of Administration  
 BRU Public Defender Agency  
 Component Fourth Judicial District

Page 9 of 9  
 Revised Date

**FY 89**

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: "An Act relating to criminal proceedings involving certain minors..."  
Sponsor: Representative Ulmer  
Requestor: Representative Ulmer

Agency Affected: Department of Law  
BRU: Prosecution  
Components: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Please see the attached analysis.

*Richard I. Pegues*

Prepared by: Richard I. Pegues, Director  
Division: Administrative Services

Phone: 465-3672  
Date: April 6, 1988

Approved by Commissioner: Richard I. Pegues / FOR / Grace Berg Schaible, Atty. Gen.  
Agency: Department of Law

Date: April 6, 1988

Distribution (by preparer) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

# CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 465

This bill amends AS 12.45.049 by adding a new section that provides that a court take appropriate action to ensure that a criminal proceeding involving a victim or witness under 16 years of age is conducted promptly. When a motion or other request for a delay or continuance of a criminal proceeding is made under the bill's provisions, the court is to consider and give weight to any adverse effect that the requested delay or continuance may have on the well-being of young victims and witnesses. There is already case law that says that there is a public interest in the prompt disposition of criminal proceedings. Courts already take several factors into consideration in scheduling proceedings, including the well-being of witnesses. By amending Alaska Rules of Criminal Procedure 45(a) and 45(d)(2), the bill formalizes an existing practice by requiring that courts consider the well-being of victims and witnesses under the age of 16 years as a factor in scheduling certain criminal proceedings.

The Department of Law does not believe that this change in the Alaska Rules of Criminal Procedure will have a fiscal impact on its operations. Trials involving child victims and witnesses are distributed widely enough throughout the department's caseload to make it possible for the department to avoid scheduling conflicts without requiring additional resources.

H B

4 6 8



STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H. JUD.

3-28-88

1:30p.m.

5-1414A  
Utermohle  
11/18/87

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled "An Act providing for the adoption of the Alaska  
7 Uniform Transfers to Minors Act; and providing for an  
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 13 is amended by adding a new chapter to read:

11 CHAPTER 46. ALASKA UNIFORM TRANSFERS TO MINORS ACT.

12 Sec. 13.46.010. SCOPE AND JURISDICTION. (a) This chapter  
13 applies to a transfer that refers to this chapter in the designation  
14 under AS 13.46.080(a) by which the transfer is made if at the time of  
15 the transfer, the transferor, the minor, or the custodian is a resi-  
16 dent of this state or the custodial property is located in this state.  
17 The custodianship so created remains subject to this chapter despite a  
18 subsequent change in residence of a transferor, the minor, or the  
19 custodian, or the removal of custodial property from this state.

20 (b) A person designated as custodian under this chapter is  
21 subject to personal jurisdiction in this state with respect to a  
22 matter relating to the custodianship.

23 (c) A transfer that purports to be made and that is valid under  
24 the Uniform Transfers to Minors Act, the Uniform Gifts to Minors Act,  
25 or a substantially similar act, of another state is governed by the  
26 law of the designated state and may be executed in this state if at  
27 the time of the transfer, the transferor, the minor, or the custodian  
28 is a resident of the designated state or the custodial property is  
29 located in the designated state and is enforceable in this state, if

1 this state has jurisdiction over the transferor, the minor, the custo-  
2 dian, or the custodial property.

3 Sec. 13.46.020. NOMINATION OF CUSTODIAN. (a) A person having  
4 the right to designate the recipient of property transferable upon the  
5 occurrence of a future event may revocably nominate a custodian to  
6 receive the property for a minor beneficiary upon the occurrence of  
7 the event by naming the custodian followed in substance by the words:  
8 "as custodian for \_\_\_\_\_ (name of minor) under the  
9 Alaska Uniform Transfers to Minors Act." The nomination may name one  
10 or more persons as substitute custodians to whom the property must be  
11 transferred, in the order named, if the first nominated custodian dies  
12 before the transfer or is unable, declines, or is ineligible to serve.  
13 The nomination may be made in a will, a trust, a deed, an instrument  
14 exercising a power of appointment, or a writing designating a benefi-  
15 ciary of contractual rights that is registered with or delivered to  
16 the payor, issuer, or other obligor of the contractual rights.

17 (b) A custodian nominated under this section must be a person to  
18 whom a transfer of property of that kind may be made under AS 13.46.-  
19 080(a).

20 (c) The nomination of a custodian under this section does not  
21 create custodial property until the nominating instrument becomes  
22 irrevocable or a transfer to the nominated custodian is completed  
23 under AS 13.46.080. Unless the nomination of a custodian has been  
24 revoked, upon the occurrence of the future event the custodianship  
25 becomes effective and the custodian shall enforce a transfer of the  
26 custodial property under AS 13.46.080.

27 Sec. 13.46.030. TRANSFER BY GIFT OR EXERCISE OF POWER OF AP-  
28 POINTMENT. A person may make a transfer by irrevocable gift to, or  
29 the irrevocable exercise of a power of appointment in favor of, a

1           custodian for the benefit of a minor under AS 13.46.080.

2           Sec. 13.46.040. TRANSFER AUTHORIZED BY WILL OR TRUST. (a) A  
3           personal representative or trustee may make an irrevocable transfer  
4           under AS 13.46.080 to a custodian for the benefit of a minor as au-  
5           thorized in the governing will or trust.

6           (b) If the testator or settlor has nominated a custodian under  
7           AS 13.46.020 to receive the custodial property, the transfer must be  
8           made to that person.

9           (c) If the testator or settlor has not nominated a custodian  
10          under AS 13.46.020, or all persons so nominated as custodian die  
11          before the transfer or are unable, decline, or are ineligible to  
12          serve, the personal representative or the trustee, as the case may be,  
13          shall designate the custodian from among those eligible to serve as  
14          custodian for property of that kind under AS 13.46.080(a).

15          Sec. 13.46.050. OTHER TRANSFER BY FIDUCIARY. (a) Subject to  
16          (c) of this section, a personal representative or trustee may make an  
17          irrevocable transfer to another adult or trust company as custodian  
18          for the benefit of a minor under AS 13.46.080, in the absence of a  
19          will or under a will or trust that does not contain an authorization  
20          to do so.

21          (b) Subject to (c) of this section, a conservator may make an  
22          irrevocable transfer to another adult or trust company as custodian  
23          for the benefit of the minor under AS 13.46.080.

24          (c) A transfer under (a) or (b) of this section may be made only  
25          if

26                 (1) the personal representative, trustee, or conservator  
27                 considers the transfer to be in the best interest of the minor;

28                 (2) the transfer is not prohibited by or inconsistent with  
29                 provisions of the applicable will, trust, agreement, or other

1 governing instrument; and

2 (3) the transfer is authorized by the court if it exceeds  
3 \$25,000 in value.

4 Sec. 13.46.060. TRANSFER BY OBLIGOR. (a) Subject to (b) and  
5 (c) of this section, a person not subject to AS 13.46.040 or 13.46.050  
6 who holds property of or owes a liquidated debt to a minor not having  
7 a conservator may make an irrevocable transfer to a custodian for the  
8 benefit of the minor under AS 13.46.080.

9 (b) If a person having the right to do so under AS 13.46.020 has  
10 nominated a custodian under that section to receive the custodial  
11 property, the transfer must be made to that person.

12 (c) If a custodian has not been nominated under AS 13.46.020, or  
13 all persons nominated as custodian die before the transfer or are  
14 unable, decline, or are ineligible to serve, a transfer under this  
15 section may be made to an adult member of the minor's family or to a  
16 trust company unless the property exceeds \$25,000 in value.

17 Sec. 13.46.070. RECEIPT FOR CUSTODIAL PROPERTY. A written  
18 acknowledgment of delivery by a custodian constitutes a sufficient  
19 receipt and discharge for custodial property transferred to the custo-  
20 dian under this chapter.

21 Sec. 13.46.080. MANNER OF CREATING CUSTODIAL PROPERTY AND EF-  
22 FECTING TRANSFER; DESIGNATION OF INITIAL CUSTODIAN; CONTROL. (a)  
23 Custodial property is created and a transfer is made when

24 (1) an uncertificated security or a certificated security  
25 in registered form is either

26 (A) registered in the name of the transferor, an adult  
27 other than the transferor, or a trust company, followed in sub-  
28 stance by the words: "as custodian for \_\_\_\_\_ (name  
29 of minor) under the Alaska Uniform Transfers to Minors Act"; or

1 (B) delivered if in certificated form, or a document  
2 necessary for the transfer of an uncertificated security is  
3 delivered, together with any necessary endorsement to an adult  
4 other than the transferor or to a trust company as custodian,  
5 accompanied by an instrument in substantially the form set out in  
6 (b) of this section;

7 (2) money is paid or delivered to a broker or financial  
8 institution for credit to an account in the name of the transferor, an  
9 adult other than the transferor, or a trust company, followed in  
10 substance by the words: "as custodian for \_\_\_\_\_ (name  
11 of minor) under the Alaska Uniform Transfers to Minors Act";

12 (3) the ownership of a life or endowment insurance policy  
13 or annuity contract is either

14 (A) registered with the issuer in the name of the  
15 transferor, an adult other than the transferor, or a trust  
16 company, followed in substance by the words: "as custodian for  
17 \_\_\_\_\_ (name of minor) under the Alaska Uniform  
18 Transfers to Minors Act"; or

19 (B) assigned in a writing delivered to an adult other  
20 than the transferor or to a trust company whose name in the  
21 assignment is followed in substance by the words: "as custodian  
22 for \_\_\_\_\_ (name of minor) under the Alaska Uniform  
23 Transfers to Minors Act";

24 (4) an irrevocable exercise of a power of appointment or an  
25 irrevocable present right to future payment under a contract is the  
26 subject of a written notification delivered to the payor, issuer, or  
27 other obligor that the right is transferred to the transferor, an  
28 adult other than the transferor, or a trust company, whose name in the  
29 notification is followed in substance by the words: "as custodian for

1 \_\_\_\_\_ (name of minor) under the Alaska Uniform Trans-  
2 fers to Minors Act";

3 (5) an interest in real property is recorded in the name of  
4 the transferor, an adult other than the transferor, or a trust  
5 company, followed in substance by the words: "as custodian for  
6 \_\_\_\_\_ (name of minor) under the Alaska Uniform Trans-  
7 fers to Minors Act";

8 (6) a certificate of title issued by a department or agency  
9 of a state or of the United States that evidences title to tangible  
10 personal property is either

11 (A) issued in the name of the transferor, an adult  
12 other than the transferor, or a trust company, followed in sub-  
13 stance by the words: "as custodian for \_\_\_\_\_  
14 (name of minor) under the Alaska Uniform Transfers to Minors  
15 Act"; or

16 (B) delivered to an adult other than the transferor or  
17 to a trust company, endorsed to that person followed in substance  
18 by the words: "as custodian for \_\_\_\_\_ (name of  
19 minor) under the Alaska Uniform Transfers to Minors Act"; or

20 (7) an interest in property not described in (1) - (6) of  
21 this subsection is transferred to an adult other than the transferor  
22 or to a trust company by a written instrument in substantially the  
23 form set out in (b) of this section.

24 (b) An instrument in the following form satisfies the require-  
25 ments of (a)(1)(B) and (a)(7) of this section:

26 "TRANSFER UNDER THE ALASKA UNIFORM  
27 TRANSFERS TO MINORS ACT

28 I, \_\_\_\_\_ (name of transferor or name and  
29 representative capacity if a fiduciary) hereby transfer to

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

\_\_\_\_\_ (name of custodian), as custodian  
for \_\_\_\_\_ (name of minor) under the Alaska  
Uniform Transfers to Minors Act, the following: (insert a  
description of the custodial property sufficient to identify  
it).

Dated: \_\_\_\_\_

\_\_\_\_\_

(Signature)

\_\_\_\_\_ (name of custodian) acknowledges re-  
ceipt of the property described above as custodian for the  
minor named above under the Alaska Uniform Transfers to  
Minors Act.

Dated: \_\_\_\_\_

\_\_\_\_\_ "

(Signature of Custodian)

(c) A transferor shall place the custodian in control of the  
custodial property as soon as practicable.

Sec. 13.46.085. NATIVE CORPORATIONS; CUSTODIANS. (a) Stock or  
membership in a corporation organized under the law of this state  
under the Alaska Native Claims Settlement Act that a minor is entitled  
to receive under that Act shall be issued by the corporation to a  
custodian.

(b) The custodian shall be determined under the order of priori-  
ty set out below. The appointment becomes effective upon the corpora-  
tion's receipt of the custodian's written consent to the appointment.  
The order of priority is:

- (1) the legal guardian, if any, of the minor;
- (2) a parent, if any, of the minor, as selected by the

parents;

1 (3) an adult member of the minor's family; in this para-  
2 graph "member of the minor's family" has the meaning given in AS 13.-  
3 46.990, and may also include members of the family with whom the minor  
4 has customarily lived.

5 (c) For good cause, a district court or the superior court may  
6 vary the order of priority set out in (b) of this section or appoint  
7 another suitable person as custodian, and, for good cause, the superi-  
8 or court may establish a guardianship under AS 13.26 for a minor.

9 (d) The custodianship is governed by this chapter, as modified  
10 by the following:

11 (1) in AS 13.46.190, a transfer to the minor's estate  
12 includes delivery to the heirs by intestate succession or custodians  
13 for the heirs;

14 (2) under AS 13.46.150, a third person is responsible for  
15 determining whether stock is inalienable under the Act;

16 (3) the custodian shall give an appropriate receipt for  
17 property received for the minor;

18 (4) the custodian may not alienate inalienable property  
19 except within the limits provided by law;

20 (5) the form of registration or title shall be "as custo-  
21 dian ~~for~~ \_\_\_\_\_ (name of minor) under the Alaska  
22 Native Claims Settlement Act";

23 (6) a custodian may not receive compensation except, upon  
24 application to and approval by the superior court, for unusual and  
25 extraordinary services;

26 (7) custodial property includes securities, money, and  
27 other real and personal property under supervision as a consequence of  
28 the Act.

29 (e) In this section, "Act" means 43 U.S.C. 1601 - 1628 (Alaska

1 Native Claims Settlement Act, P.L. 92-203, 85 Stat. 688) and amend-  
2 ments.

3 Sec. 13.46.090. SINGLE CUSTODIANSHIP. A transfer may be made  
4 only for one minor, and only one person may be the custodian. All  
5 custodial property held under this chapter by the same custodian for  
6 the benefit of the same minor constitutes a single custodianship.

7 Sec. 13.46.100. VALIDITY AND EFFECT OF TRANSFER. (a) The  
8 validity of a transfer made in a manner prescribed in this chapter is  
9 not affected by

10 (1) failure of the transferor to comply with AS 13.46.-  
11 080(c) concerning possession and control;

12 (2) designation of an ineligible custodian, except desig-  
13 nation of the transferor in the case of property for which the trans-  
14 feror is ineligible to serve as custodian under AS 13.46.080(a); or

15 (3) death or incapacity of a person nominated under AS 13.-  
16 46.020 or designated under AS 13.46.080 as custodian or the disclaimer  
17 of the office by that person.

18 (b) A transfer made under AS 13.46.080 is irrevocable, and the  
19 custodial property is indefeasibly vested in the minor, but the custo-  
20 dian has all the rights, powers, duties, and authority provided in  
21 this chapter, and neither the minor nor the minor's legal representa-  
22 tive has any right, power, duty, or authority with respect to the  
23 custodial property except as provided in this chapter.

24 (c) By making a transfer, the transferor incorporates in the  
25 disposition all the provisions of this chapter and grants to the  
26 custodian, and to a third person dealing with a person designated as  
27 custodian, the respective powers, rights, and immunities provided in  
28 this chapter.

29 (d) A person is not precluded from being a custodian for a minor

1 under this chapter with respect to some property because the person is  
2 a conservator of the minor with respect to other property.

3 (e) A person who is the conservator of the minor is not pre-  
4 cluded from being a custodian for a minor under this chapter because  
5 the custodial property has or will be transferred to the custodian  
6 from the guardianship estate of the minor. In such case, for the  
7 purposes of AS 13.46.080, the custodian is "an adult other than t.  
8 transferor."

9 (f) In the cases described in (d) and (e) of this section, with  
10 respect to the property transferred to the custodian, this chapter  
11 applies to the extent it would apply if the person to whom the custo-  
12 dial property is transferred were not and had not been a conservator  
13 of the minor.

14 Sec. 13.46.110. CARE OF CUSTODIAL PROPERTY. (a) A custodian  
15 shall

- 16 (1) take control of custodial property;  
17 (2) register or record title to custodial property if  
18 appropriate; and  
19 (3) collect, hold, manage, invest, and reinvest custodial  
20 property.

21 (b) In dealing with custodial property, a custodian shall ob-  
22 serve the standard of care that would be observed by a prudent person  
23 dealing with property of another and is not limited by any other  
24 statute restricting investments by fiduciaries. If a custodian has a  
25 special skill or expertise or is named custodian on the basis of  
26 representations of a special skill or expertise, the custodian shall  
27 use that skill or expertise. However, a custodian, in the custodian's  
28 discretion and without liability to the minor or the minor's estate,  
29 may retain custodial property received from a transferor.

1 (c) A custodian may invest in or pay premiums on life insurance  
2 or endowment policies on

3 (1) the life of the minor only if the minor or the minor's  
4 estate is the sole beneficiary; or

5 (2) the life of another person in whom the minor has an  
6 insurable interest only to the extent that the minor, the minor's  
7 estate, or the custodian in the capacity of custodian, is the irrevocable  
8 beneficiary.

9 (d) A custodian at all times shall keep custodial property  
10 separate and distinct from all other property in a manner sufficient  
11 to identify it clearly as custodial property of the minor. Custodial  
12 property consisting of an undivided interest is so identified if the  
13 minor's interest is held as a tenant in common and is fixed. Custodial  
14 property subject to recordation is so identified if it is re-  
15 corded, and custodial property subject to registration is so identified  
16 if it is either registered, or held in an account designated, in  
17 the name of the custodian, followed in substance by the words: "as a  
18 custodian for \_\_\_\_\_ (name of minor) under the  
19 Alaska Uniform Transfers to Minors Act."

20 (e) A custodian shall keep records of all transactions with  
21 respect to custodial property, including information necessary for the  
22 preparation of the minor's tax returns, and shall make them available  
23 for inspection at reasonable intervals by a parent or legal representative  
24 of the minor or by the minor if the minor has attained the age  
25 of 14 years.

26 Sec. 13.46.120. POWERS OF CUSTODIAN. (a) A custodian, acting  
27 in a custodial capacity, has all the rights, powers, and authority  
28 over custodial property that unmarried adult owners have over their  
29 own property, but a custodian may exercise those rights, powers, and

1 authority in that capacity only.

2 (b) This section does not relieve a custodian from liability for  
3 breach of AS 13.46.110.

4 Sec. 13.46.130. USE OF CUSTODIAL PROPERTY. (a) A custodian may  
5 deliver or pay to the minor or expend for the minor's benefit as much  
6 of the custodial property as the custodian considers advisable for the  
7 use and benefit of the minor, without court order and without regard  
8 to

9 (1) the duty or ability of the custodian personally or of  
10 another person to support the minor; or

11 (2) other income or property of the minor that may be  
12 applicable or available for that purpose.

13 (b) On petition of an interested person or the minor if the  
14 minor has attained the age of 14 years, the court may order the custo-  
15 dian to deliver or pay to the minor or expend for the minor's benefit  
16 as much of the custodial property as the court considers advisable for  
17 the use and benefit of the minor.

18 (c) A delivery, payment, or expenditure under this section is in  
19 addition to, not in substitution for, and does not affect an obliga-  
20 tion of a person to support the minor.

21 Sec. 13.46.140. CUSTODIAN'S EXPENSES, COMPENSATION, AND BOND.

22 (a) A custodian is entitled to reimbursement from custodial property  
23 for reasonable expenses incurred in the performance of the custodian's  
24 duties.

25 (b) Except for one who is a transferor under AS 13.46.030, a  
26 custodian has a noncumulative election during each calendar year to  
27 charge reasonable compensation for services performed during that  
28 year.

29 (c) Except as provided in AS 13.46.170(f), a custodian is not

1 required to give a bond.

2 Sec. 13.46.150. EXEMPTION OF THIRD PERSON FROM LIABILITY. A  
3 third person in good faith and without court order may act on the  
4 instructions of or otherwise deal with a person purporting to make a  
5 transfer or purporting to act in the capacity of a custodian and, in  
6 the absence of knowledge, is not responsible for determining

7 (1) the validity of the purported custodian's designation;

8 (2) the propriety of, or the authority under this chapter  
9 for, an act of the purported custodian;

10 (3) the validity or propriety under this chapter of an  
11 instrument or instructions executed or given either by the person  
12 purporting to make a transfer or by the purported custodian; or

13 (4) the propriety of the application of property of the  
14 minor delivered to the purported custodian.

15 Sec. 13.46.160. LIABILITY TO THIRD PERSONS. (a) A claim based  
16 on (1) a contract entered into by a custodian acting in a custodial  
17 capacity, (2) an obligation arising from the ownership or control of  
18 custodial property, or (3) a tort committed during the custodianship,  
19 may be asserted against the custodial property by proceeding against  
20 the custodian in the custodial capacity, whether or not the custodian  
21 or the minor is personally liable for the contract, obligation, or the  
22 tort.

23 (b) A custodian is not personally liable

24 (1) on a contract properly entered into in the custodial  
25 capacity unless the custodian fails to reveal that capacity and to  
26 identify the custodianship in the contract; or

27 (2) for an obligation arising from control of custodial  
28 property or for a tort committed during the custodianship unless the  
29 custodian is personally at fault.

1 (c) A minor is not personally liable for an obligation arising  
2 from ownership of custodial property or for a tort committed during  
3 the custodianship unless the minor is personally at fault.

4 Sec. 13.46.170. RENUNCIATION, RESIGNATION, DEATH, OR REMOVAL OF  
5 CUSTODIAN; DESIGNATION OF SUCCESSOR CUSTODIAN. (a) A person nomi-  
6 nated under AS 13.46.020 or designated under AS 13.46.080 as custodian  
7 may decline to serve by delivering a valid disclaimer to the person  
8 who made the nomination or to the transferor or the transferor's legal  
9 representative. If the event giving rise to a transfer has not oc-  
10 curred and a substitute custodian able, willing, and eligible to serve  
11 was not nominated under AS 13.46.020, the person who made the nomina-  
12 tion may nominate a substitute custodian under AS 13.46.020; otherwise  
13 the transferor or the transferor's legal representative shall desig-  
14 nate a substitute custodian at the time of the transfer, in either  
15 case from among the persons eligible to serve as custodian for that  
16 kind of property under AS 13.46.080(a). The custodian so designated  
17 has the rights of a successor custodian.

18 (b) A custodian at any time may designate a trust company or an  
19 adult other than a transferor under AS 13.46.030 as successor custo-  
20 dian by executing and dating an instrument of designation before a  
21 subscribing witness other than the successor. If the instrument of  
22 designation does not contain or is not accompanied by the resignation  
23 of the custodian, the designation of the successor does not take  
24 effect until the custodian resigns, dies, becomes incapacitated, or is  
25 removed.

26 (c) A custodian may resign at any time by delivering written  
27 notice to the minor if the minor has attained the age of 14 years and  
28 to the successor custodian and by delivering the custodial property to  
29 the successor custodian.

1 (d) If a custodian is ineligible, dies, or becomes incapacitated  
2 without having effectively designated a successor and the minor has  
3 attained the age of 14 years, the minor may designate as successor  
4 custodian, in the manner prescribed in (b) of this section, an adult  
5 member of the minor's family, a conservator of the minor, or a trust  
6 company. If the minor has not attained the age of 14 years or fails  
7 to act within 60 days after the ineligibility, death, or incapacity,  
8 the conservator of the minor becomes successor custodian. If the  
9 minor has no conservator or the conservator declines to act, the  
10 transferor, the legal representative of the transferor or of the  
11 custodian, an adult member of the minor's family, or another inter-  
12 ested person may petition the court to designate a successor custo-  
13 dian.

14 (e) A custodian who declines to serve under (a) of this section  
15 or resigns under (c) of this section, or the legal representative of a  
16 deceased or incapacitated custodian, as soon as practicable, shall put  
17 the custodial property and records in the possession and control of  
18 the successor custodian. The successor custodian by action may en-  
19 force the obligation to deliver custodial property and records and  
20 becomes responsible for each item as received.

21 (f) A transferor, the legal representative of a transferor, an  
22 adult member of the minor's family, a guardian of the person of the  
23 minor, the conservator of the minor, or the minor if the minor has  
24 attained the age of 14 years may petition the court to remove the  
25 custodian for cause and to designate a successor custodian other than  
26 a transferor under AS 13.46.030 or to require the custodian to give  
27 appropriate bond.

28 Sec. 13.46.180. ACCOUNTING BY AND DETERMINATION OF LIABILITY OF  
29 CUSTODIAN. (a) A minor who has attained the age of 14 years, the

1 minor's guardian of the person or legal representative, an adult  
2 member of the minor's family, a transferor, or a transferor's legal  
3 representative may petition the court for

4 (1) an accounting by the custodian or the custodian's legal  
5 representative; or

6 (2) a determination of responsibility, as between the  
7 custodial property and the custodian personally, for claims against  
8 the custodial property unless the responsibility has been adjudicated  
9 in an action under AS 13.46.160 to which the minor or the minor's  
10 legal representative was a party.

11 (b) A successor custodian may petition the court for an account-  
12 ing by the predecessor custodian.

13 (c) The court, in a proceeding under this chapter or in another  
14 proceeding, may require or permit the custodian or the custodian's  
15 legal representative to account.

16 (d) If a custodian is removed under AS 13.46.170(f), the court  
17 shall require an accounting and order delivery of the custodial prop-  
18 erty and records to the successor custodian and the execution of all  
19 instruments required for transfer of the custodial property.

20 Sec. 13.46.190. TERMINATION OF CUSTODIANSHIP. The custodian  
21 shall transfer in an appropriate manner the custodial property to the  
22 minor or to the minor's estate upon the earlier of the

23 (1) minor's attainment of 18 years of age unless the time  
24 of transfer of the custodial property to the minor is delayed under  
25 AS 13.46.195 to a time after the time the minor attains the age of 18  
26 years;

27 (2) time specified in the transfer under AS 13.46.030 if  
28 the time of transfer of the custodial property to the minor is delayed  
29 under AS 13.46.195 to a time after the time the minor attains the age

1 of 18 years; or

2 (3) minor's death.

3 Sec. 13.46.195 DELAY IN TRANSFER OF CUSTODIAL PROPERTY AFTER  
4 MINOR ATTAINS AGE 18. (a) Subject to the requirements and limita-  
5 tions of this section, the time for transfer to the minor of custodial  
6 property transferred under AS 13.46.020, 13.46.030, or 13.46.040 may  
7 be delayed until a specified time after the time the minor attains the  
8 age of 18 years, that time shall be specified in the transfer under  
9 AS 13.46.080.

10 (b) To specify a delayed time for transfer to the minor of the  
11 custodial property under AS 13.46.020, 13.46.030 except for the trans-  
12 fer by irrevocable gift, or 13.46.040, the words "as custodian for  
13 \_\_\_\_\_ (name of minor) until age \_\_\_\_\_ (age for  
14 delivery of property to minor) under the Alaska Uniform Transfers to  
15 Minors Act" shall be substituted in substance for the words "as custo-  
16 dian for \_\_\_\_\_ (name of minor) under the Alaska  
17 Uniform Transfers to Minors Act" in making the transfer under AS 13.-  
18 46.080.

19 (c) To specify a delayed time for transfer to the minor of the  
20 custodial property under AS 13.46.030 by irrevocable gift, the words  
21 "as custodian for \_\_\_\_\_ (name of minor) until age  
22 \_\_\_\_\_ (age for delivery of property to minor) under the Alaska  
23 Uniform Transfers to Minors Act" or "as custodian for \_\_\_\_\_  
24 (name of minor) until age \_\_\_\_\_ (age for delivery of property to  
25 minor) under the Alaska Uniform Transfers to Minors Act, subject to  
26 the minor's right to compel immediate distribution of the property by  
27 giving written notice to the custodian during the six-month period  
28 beginning on the minor's 21st birthday" shall be substituted in sub-  
29 stance for the words "as custodian for \_\_\_\_\_ (name

1 of minor) under the Alaska Uniform Transfers to Minors Act" in making  
2 the transfer under AS 13.46.080.

3 (d) The time for transfer to the minor of custodial property  
4 transferred under AS 13.46.020 or 13.46.040 may be delayed under this  
5 section if the governing will or trust or nomination provides in  
6 substance that the custodianship is to continue until the time the  
7 minor attains a specified age, that time may not be later than the  
8 time the minor attains 25 years of age, and in that case the governing  
9 will or trust or nomination shall determine the time to be specified  
10 in the transfer under AS 13.46.080.

11 (e) The time for transfer to the minor of custodial property  
12 transferred under AS 13.46.030 may be delayed under this section if  
13 the transfer under AS 13.46.080 provides in substance that the custo-  
14 dianship is to continue until the time the minor attains a specified  
15 age, that time may not be later than the time the minor attains 25  
16 years of age.

17 (f) If the transfer under AS 13.46.080 does not specify an age,  
18 the time for the transfer of the custodial property to the minor under  
19 AS 13.46.190 is the time when the minor attains 18 years of age.

20 (g) If the transfer under AS 13.46.080 provides in substance  
21 that the duration of the custodianship is for a time longer than the  
22 maximum time permitted by this section for that type of transfer, the  
23 custodianship may continue until the minor attains the maximum age  
24 permitted by this section for that type of transfer.

25 Sec. 13.46.200. APPLICABILITY. This chapter applies to a trans-  
26 fer within the scope of AS 13.46.010 made after December 31, 1988, if  
27 the

28 (1) transfer purports to have been made under the Alaska  
29 Uniform Gifts to Minors Act; or

1 (2) instrument by which the transfer purports to have been  
2 made uses in substance the designation "as custodian under the Uniform  
3 Gifts to Minors Act" or "as custodian under the Uniform Transfers to  
4 Minors Act" of another state, and the application of this chapter is  
5 necessary to validate the transfer.

6 Sec. 13.46.210. EFFECT ON EXISTING CUSTODIANSHIPS. (a) A  
7 transfer of custodial property as defined in this chapter made before  
8 January 1, 1989, is validated notwithstanding that there was not  
9 specific authority in the Alaska Uniform Gifts to Minors Act for the  
10 coverage of custodial property of that kind or for a transfer from  
11 that source at the time the transfer was made.

12 (b) This chapter applies to all transfers made before January 1,  
13 1989, in a manner and form prescribed in the Alaska Uniform Gifts to  
14 Minors Act, except insofar as the application impairs constitutionally  
15 vested rights or extends the duration of custodianships in existence  
16 on January 1, 1989.

17 (c) AS 13.46.190 and 13.46.290, with respect to the age of a  
18 minor for whom custodial property is held under this chapter, do not  
19 apply to custodial property held in a custodianship that terminated  
20 because of the minor's attainment of the age of 18 after December 31,  
21 1980, and before January 1, 1989.

22 (d) To the extent that this chapter, by virtue of (b) of this  
23 section, does not apply to transfers made in a manner prescribed under  
24 former AS 45.60 (Alaska Uniform Gifts to Minors Act) or to the powers,  
25 duties, and immunities conferred by transfers in that manner upon  
26 custodians and persons dealing with custodians, the repeal of AS 45.60  
27 (Alaska Uniform Gifts to Minors Act) does not affect those transfers  
28 or those powers, duties, and immunities.

29 Sec. 13.46.220. UNIFORMITY OF APPLICATION AND CONSTRUCTION.

1 This chapter shall be applied and construed to effectuate its general  
2 purpose to make uniform the law with respect to the subject of this  
3 chapter among states enacting it.

4 Sec. 13.46.990. DEFINITIONS. In this chapter

5 (1) "adult" means an individual who has attained the age of  
6 18 years;

7 (2) "benefit plan" means an employer's plan for the benefit  
8 of an employee or partner;

9 (3) "broker" means a person lawfully engaged in the busi-  
10 ness of effecting transactions in securities or commodities for the  
11 person's own account or for the account of others;

12 (4) "conservator" means a person appointed or qualified by  
13 a court to act as general, limited, or temporary guardian of a minor's  
14 property or a person legally authorized to perform substantially the  
15 same functions;

16 (5) "court" means the superior court;

17 (6) "custodial property" means

18 (A) an interest in property transferred to a custodian  
19 under this chapter; and

20 (B) the income from and proceeds of that interest in  
21 property;

22 (7) "custodian" means a person designated under AS 13.-  
23 46.080 or a successor or substitute custodian designated under AS 13.-  
24 46.170;

25 (8) "financial institution" means a bank, trust company,  
26 savings institution, or credit union, chartered and supervised under  
27 state or federal law;

28 (9) "legal representative" means an individual's personal  
29 representative or conservator;

1 (10) "member of the minor's family" means the minor's  
2 parent, stepparent, spouse, grandparent, brother, sister, uncle, or  
3 aunt, whether of the whole or half blood or by adoption;

4 (11) "minor" means an individual who has not attained the  
5 age of 18 years, except when used in reference to the beneficiary for  
6 whose benefit custodial property is held or to be held, an individual  
7 who has not attained the age at which the custodian is required under  
8 AS 13.46.190 and 13.46.195 to transfer the custodial property to the  
9 beneficiary;

10 (12) "personal representative" means an executor, adminis-  
11 trator, successor personal representative, or special administrator of  
12 a decedent's estate or a person legally authorized to perform substan-  
13 tially the same functions;

14 (13) "state" includes a state of the United States, the  
15 District of Columbia, the Commonwealth of Puerto Rico, and any terri-  
16 tory or possession subject to the legislative authority of the United  
17 States;

18 (14) "transfer" means a transaction that creates custodial  
19 property under AS 13.46.080;

20 (15) "transferor" means a person who makes a transfer under  
21 this chapter;

22 (16) "trust company" means a financial institution, corpora-  
23 tion, or other legal entity, authorized to exercise general trust  
24 powers.

25 Sec. 13.46.999. SHORT TITLE. This chapter may be cited as the  
26 Alaska Uniform Transfers to Minors Act.

27 \* Sec. 2. AS 13.06.050(45) is amended to read:

28 (45) "trust" includes any express trust, private or charit-  
29 able, with additions to it, wherever and however created; it also

1 includes a trust created or determined by judgment or decree under  
2 which the trust is to be administered in the manner of an express  
3 trust; "trust" excludes other constructive trusts, and it excludes  
4 resulting trusts, conservatorships, personal representatives, trust  
5 accounts as defined in AS 13.31, custodial arrangements under AS 13.46  
6 [AS 45.60], business trusts providing for certificates to be issued to  
7 beneficiaries, common trust funds, voting trusts, security arrange-  
8 ments, liquidation trusts, and trusts for the primary purpose of  
9 paying debts, dividends, interest, salaries, wages, profits, pensions,  
10 or employee benefits of any kind, and any arrangement under which a  
11 person is nominee or escrowee for another;

12 \* Sec. 3. AS 45.60.011, 45.60.016, 45.60.021, 45.60.031, 45.60.041,  
13 45.60.051, 45.60.061, 45.60.071, 45.60.081, 45.60.091, and 45.60.101 are  
14 repealed.

15 \* Sec. 4. This Act takes effect January 1, 1989.  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Robin Brown

Introduced: 2/15/88  
Referred: Health, Education &  
Social Services, Judiciary  
and Finance

① expands type of property  
- real & personal property. 5-1414A

② method of transfer - expanded  
③ termination date extended to 75

565 = Native Corp

1 IN THE HOUSE

BY SUND AND GRUENBERG

2

HOUSE BILL NO. 468

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act providing for the adoption of the Alaska  
Uniform Transfers to Minors Act; and providing for an  
effective date."

7

8

9

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

10

\* Section 1. AS 13 is amended by adding a new chapter to read:

11

CHAPTER 46. ALASKA UNIFORM TRANSFERS TO MINORS ACT.

12

Sec. 13.46.010. SCOPE AND JURISDICTION. (a) This chapter

13

applies to a transfer that refers to this chapter in the designation

14

under AS 13.46.080(a) by which the transfer is made if at the time of

15

the transfer, the transferor, the minor, or the custodian is a resi-

16

dent of this state or the custodial property is located in this state.

17

The custodianship so created remains subject to this chapter despite a

18

subsequent change in residence of a transferor, the minor, or the

19

custodian, or the removal of custodial property from this state.

20

(b) A person designated as custodian under this chapter is

21

subject to personal jurisdiction in this state with respect to a

22

matter relating to the custodianship.

23

(c) A transfer that purports to be made and that is valid under

24

the Uniform Transfers to Minors Act, the Uniform Gifts to Minors Act,

25

or a substantially similar act, of another state is governed by the

26

law of the designated state and may be executed in this state if at

27

the time of the transfer, the transferor, the minor, or the custodian

28

is a resident of the designated state or the custodial property is

29

located in the designated state and is enforceable in this state, if

1 this state has jurisdiction over the transferor, the minor, the custo-  
2 dian, or the custodial property.

3 Sec. 13.46.020. NOMINATION OF CUSTODIAN. (a) A person having  
4 the right to designate the recipient of property transferable upon the  
5 occurrence of a future event may revocably nominate a custodian to  
6 receive the property for a minor beneficiary upon the occurrence of  
7 the event by naming the custodian followed in substance by the words:  
8 "as custodian for \_\_\_\_\_ (name of minor) under the  
9 Alaska Uniform Transfers to Minors Act." The nomination may name one  
10 or more persons as substitute custodians to whom the property must be  
11 transferred, in the order named, if the first nominated custodian dies  
12 before the transfer or is unable, declines, or is ineligible to serve.  
13 The nomination may be made in a will, a trust, a deed, an instrument  
14 exercising a power of appointment, or a writing designating a benefi-  
15 ciary of contractual rights that is registered with or delivered to  
16 the payor, issuer, or other obligor of the contractual rights.

17 (b) A custodian nominated under this section must be a person to  
18 whom a transfer of property of that kind may be made under AS 13.46.-  
19 080(a).

20 (c) The nomination of a custodian under this section does not  
21 create custodial property until the nominating instrument becomes  
22 irrevocable or a transfer to the nominated custodian is completed  
23 under AS 13.46.080. Unless the nomination of a custodian has been  
24 revoked, upon the occurrence of the future event the custodianship  
25 becomes effective and the custodian shall enforce a transfer of the  
26 custodial property under AS 13.46.080.

27 Sec. 13.46.030. TRANSFER BY GIFT OR EXERCISE OF POWER OF AP-  
28 POINTMENT. A person may make a transfer by irrevocable gift to, or  
29 the irrevocable exercise of a power of appointment in favor of, a

**STATE OF ALASKA 1988 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** Bill Version: HB 468  
 Publish Date: 2/15/88  


---

 Revision Date: Agency Affected: Alaska Court System  
 Title: An act providing for adoption BRU: Trial Courts  
 of the Alaska Uniform Transfers to Minors Act  
 Sponsor: Sund & Gruenberg Components:  
 Requestor: HESS

EXPENDITURES/REVENUES:	(Thousands of Dollars)					
OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
Personal Services	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Travel	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Contractual	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Supplies	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Equipment	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Land & Structures	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Grants & Claims	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**CAPITAL** . . . . .

**REVENUE** . . . . .

FUNDING:	(Thousands of Dollars)					
General Funds	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Other	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS:						
Full-time	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Part-time	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .
Temporary	. . . .	. . . .	. . . .	. . . .	. . . .	. . . .

**ANALYSIS:** (Attach a separate page if necessary)

No fiscal impact.

Prepared by: *Jan Strandberg* Jan Strandberg, General Counsel Phone: 264-8228  
 Division: Alaska Court System Date: 03/14/88  
 Approved by: *Stephanie Cole, for* Arthur H. Snowden, II, Administrative Director Date: 03/14/88  
 Agency: Alaska Court System

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management & Budget  
 Impacted Agency(ies)  
 Senate Secretary

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: "An Act providing for ... Uniform  
Transfers to Minors Act..."  
Sponsor: Representative Sund  
Requestor: House HESS

Agency Affected: Department of Law  
BRU: Legal Services  
Components: Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Please see the attached analysis.

Prepared by: Richard I. Pegues, Director Phone: 465-3672  
Division: Administrative Services Date: March 14, 1988  
Approved by Commissioner: Richard I. Pegues / FOR /  
Grace Berg Schaible, Atty. Gen. Date: March 14, 1988  
Agency: Department of Law

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

# CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 468

This bill adds a new chapter to AS 13 to provide for the administration of custodial property held in trust for minors. The administration of such trusts is a matter between private parties, and although involving the civil legal system, it does not involve the Department of Law. Consequently, there will not be a fiscal impact on the department.

Sec 2-page  
Summary

HB 468

COMMENTARY TO THE

PROPOSED

Alaska Uniform Transfers to Minors Act

November 1987

Division of Legal Services  
Legislative Affairs Agency  
P.O. Box Y - State Capitol  
Juneau, Alaska 99811

## Preface

The Uniform Transfers to Minors Act (UTMA) revises and restates the Uniform Gifts to Minors Act (UGMA), one of the National Conference of Commissioners on Uniform State Laws most successful products, some version of which has been enacted in every American jurisdiction.

The original version of UGMA was adopted by the Conference in 1956 and closely followed a model "Act concerning Gifts of Securities to Minors" which was sponsored by the New York Stock Exchange and the Association of Stock Exchange Firms and which had been adopted in 14 states. The 1956 version of the UGMA broadened the model act to cover gifts of money as well as securities but made few other changes.

In 1956 and 1966 the Conference revised the UGMA to expand the types of financial institutions which could serve as depositories of custodial funds, to facilitate the designation of successor custodians, and to add life insurance policies and annuity contracts to the types of property (cash and securities) that could be made the subject of a gift under the UGMA.

Alaska adopted the 1966 version of the UGMA in 1967 (AS 45.-60). Many states which adopted the 1956 or 1966 version of the UGMA, have substantially revised their versions of the UGMA to expand the kinds of property that may be made the subject of a gift under the UGMA. A few states permit transfers to custodians from other sources, such as trusts and estates, as well as from lifetime gifts. Some states also permit the transferor to have an option to extend the date the custodial property may be distributed to the minor. As a result, a great deal of non-uniformity has arisen among the states. Uniformity in this area is important, for the Conference has cited the UGMA as an example of an act designed to avoid conflicts of law when the laws of more than one state may apply to a transaction or a series of transactions.

The Alaska Uniform Transfers to Minors act (AkUTMA) follows the expansive approach taken by several states and allows any kind of property, real or personal, tangible or intangible, to be made the subject of a transfer to a custodian for the benefit of a minor (sec. 13.46.990(6)). In addition, it permits such transfers not only by lifetime outright gifts (sec. 13.46.030), but also from trusts, estates, and guardianships, whether or not specifically authorized in the governing instrument (secs. 13.46.040 and 13.46.050), and from other third parties indebted to a minor who does not have a conservator, such as parties against

whom a minor has a tort claim or judgment, and depository institutions holding deposits or insurance companies issuing policies payable on death to a minor (sec. 13.46.060). For this reason, and to distinguish the enactment of this statute from the 1956 and 1966 versions of the UGMA, the title of this Act has been changed to refer to "Transfers" rather than to "Gifts," a much narrower term. Moreover, the AkUTMA permits the transferor or the minor to have an option to extend beyond the age of minority the date the custodial property may be distributed to the minor (sec. 13.46.195).

As so expanded, the AkUTMA might be considered a statutory form of trust or guardianship that may terminate at age 18 or, if the transferor or minor so elects, may be terminated at any age prior to age 25. Note, however, that unlike a trust, a custodianship is not a separate legal entity or taxpayer. Under sec. 13.46.100(b), the custodial property is indefeasibly vested in the minor, not the custodian, and thus any income received is attributable to and reportable by the minor, whether or not actually distributed to the minor.

The expansion of the AkUTMA to permit transfers of any kind of property to a custodian creates a significant problem of potential personal liability for the minor or the custodian arising from the ownership of property such as real estate, automobiles, general partnership interests, and business proprietorships. This problem did not exist under the UGMA under which custodial property was limited to bank deposits, securities, and insurance. In response, sec. 13.46.160 generally limits the claims of third parties to recourse against the custodial property, with the minor insulated against personal liability unless he is personally at fault. The custodian is similarly insulated unless he is personally at fault or fails to disclose his custodial capacity upon entering into a contract.

Nevertheless, the AkUTMA should be used with caution with respect to property such as real estate or general partnership interests from which liabilities as well as benefits may arise. Many of the possible risks can and should be insured against, and the custodian has the power under sec. 13.46.120(a) to purchase such insurance, at least when other custodial assets are sufficient to do so. If the assets are not sufficient, there is doubt that a custodian will act, or there are significant uninsurable risks, a transferor should consider a trust with spendthrift provisions, such as a minority trust under Section 2503(c), Internal Revenue Code, rather than a custodianship, to make a gift of such property to a minor.

Finally, the AkUTMA restates and rearranges rather than amends, the 1966 version of the UGMA. The addition of other forms of property and other forms of dispositions made adherence to the format and language of the prior act very unwieldy. In addition, the 1966 version of the UGMA closely followed the language of the earlier model act, which had already been adopted in several states, even though it did not conform to Conference style. It is hoped that this re-writing and revision of the UGMA will improve its clarity while also expanding its coverage.

## ALASKA UNIFORM TRANSFERS TO MINORS ACT

### Sec. 13.46.010. SCOPE AND JURISDICTION.

This section has no counterpart in the 1966 version of the UGMA. It attempts to resolve uncertainties and conflicts-of-law questions that have frequently arisen because of the present nonuniformity of the UGMA in the various states and which may continue to arise during the transition from the UGMA to the UTMA.

The creation of a custodianship must invoke the law of a particular state because of the form of the transfer required under sec. 13.46.080(a). This section provides that a choice of the AkUTMA is appropriate and effective if any of the nexus factors specified in subsection (a) exists at the time of the transfer. The AkUTMA continues to govern, and subsection (b) makes the custodian accountable and subject to personal jurisdiction in the courts of Alaska for the duration of the custodianship, despite subsequent relocation of the parties or the property.

Subsection (c) recognizes that residents of Alaska may elect to have the law of another state apply to a transfer. That choice is valid if a nexus with the chosen state exists at the time of the transfer. If personal jurisdiction can be obtained in Alaska under other law apart from the AkUTMA, the custodianship may be enforced in Alaska courts, which are directed to apply the law of the state elected by the transferor.

If the choice of law under subsection (a) or (c) is ineffective because of the absence of the required nexus, the transfer may still be effective under the UTMA of another state with which a nexus does exist. See sec. 13.46.200.

### Sec. 13.46.020. NOMINATION OF CUSTODIAN.

This section is new and permits a future custodian for a minor to be nominated to receive a distribution under a will or trust, or as a beneficiary of a power of appointment, or of contractual rights such as a life or endowment insurance policy, annuity contract, F.O.D. account, benefit plan, or similar future payment right. Nomination of a future custodian does not constitute a "transfer" under the AkUTMA and does not create custodial property. If it did, the nomination and beneficiary designation would have to be permanent, since a "transfer" is irrevocable and indefeasibly vests ownership of the interest in the minor under sec. 13.46.-100(b).

Instead, this section permits a revocable beneficiary designation that takes effect only when the donor dies, or when a

lifetime transfer to the custodian for the minor beneficiary occurs, such as a distribution under an inter vivos trust. However, an unrevoked nomination under this section is binding on a personal representative or trustee (see sec. 13.46.040(b)) and on insurance companies and other obligors who contract to pay in the future (see sec. 13.46.060(b)).

The person making the nomination may name contingent or successive future custodians to serve, in the order named, in the event that the person first nominated dies, or is unable, declines, or is ineligible to serve. Such a substitute future custodian is a custodian "nominated . . . under AS 13.46.020" to whom the transfer must be made under secs. 13.46.040(b) and 13.46.060(b).

Any person nominated as future custodian may decline to serve before the transfer occurs and may resign at any time after the transfer. See sec. 13.46.170.

#### Sec. 13.46.030. TRANSFER BY GIFT OR EXERCISE OF POWER OF APPOINTMENT.

To emphasize the different kinds of transfers that create presently effective custodianships under the AkUTMA, they are separately described in secs. 13.46.030, 13.46.040, 13.46.050, and 13.46.060. This section in part corresponds to Section 2(a) of the 1966 version of the UGMA and covers the traditional lifetime gift that was the only kind of transfer authorized by the 1966 version of the UGMA. It also covers an irrevocable exercise of a power of appointment in favor of a custodian, as distinguished from the exercise of a power in a revocable instrument that results only in the nomination of a future custodian under sec. 13.46.020.

#### Sec. 13.46.040. TRANSFER AUTHORIZED BY WILL OR TRUST.

This section is new and has no counterpart in the UGMA. It is based on nonuniform provisions adopted by Connecticut, Illinois, Wisconsin, and other states to validate distributions from trusts and estates to a custodian for a minor beneficiary, when the use of a custodian is expressly authorized by the governing instrument. It also covers the designation of the custodian whenever the settlor or testator fails to make a nomination, or the future custodian nominated under sec. 13.46.020 (and any alternate named) fails to qualify.

#### Sec. 13.46.050. OTHER TRANSFER BY FIDUCIARY.

This section is new and has no counterpart in the UGMA. It covers a new concept, already authorized by the law of some

states through nonuniform amendments to the UGMA to permit custodianships to be used as guardianships or conservator substitutes, even though not specifically authorized by the person whose property is the subject of the transfer. It also permits the legal representative of the minor, such as a conservator or guardian, to transfer the minor's own property to a new or existing custodianship for the purposes of convenience or economies of administration.

A custodianship may be created under this section even though not specifically authorized by the transferor, the testator, or the settlor of the trust if three tests are satisfied. First, the fiduciary making the transfer must determine in good faith and in his fiduciary capacity that a custodianship will be in the best interests of the minor. Second, a custodianship may not be prohibited by, or inconsistent with, the terms of any governing instrument. Inconsistent terms would include, for example, a spendthrift clause in a governing trust, provisions terminating a governing trust for the minor's benefit at a time other than the time of the minor's age of majority, and provisions for mandatory distributions of income or principal at specific times or periodic intervals. Provisions for other outright distributions or bequests would not be inconsistent with the creation of a custodianship under this section. Third, the amount of property transferred, (as measured by its value) must be of such relative small amount that the lack of court supervision and the typically stricter investments standards that would apply to the conservator otherwise required will not be important. However, if the property is of significant size, transfer to a custodian may still be made if the court approves and if the other two tests are met.

The custodianship created under this section without express authority in the governing instrument will terminate upon the minor's attainment of the statutory age of majority in Alaska, i.e., at the same age a conservatorship of the minor would end. See sec. 13.46.190 and the Commentary to sec. 13.46.190.

#### Sec. 13.46.060. TRANSFER BY OBLIGOR.

This section is new and, like sec. 13.46.050, permits a custodianship to be established as a substitute for a conservator to receive payments due a minor from sources other than estates, trusts, and existing guardianships covered by secs. 13.46.040 and 13.46.050. For example, a tort judgment debtor of a minor, a bank holding a joint or P.O.D. account of which a minor is the surviving payee, or an insurance company holding life insurance policy or benefit plan proceeds payable to a minor may create a custodianship under this section.

Use of this section is mandatory when a future custodian has been nominated under sec. 13.46.020 as a named beneficiary of an insurance policy, benefit plan, deposit account, or the like, because the original owner of the property specified a custodianship (and a future custodian) to receive the property. If that custodian (or any alternate named) is not available, if none was nominated, or none could have been nominated (as in the case of a tort judgment payable to the minor), this section is permissive and does not preclude the obligor from requiring the appointment of a conservator to receive payment. It allows the obligor to transfer property to a custodian unless the property exceeds the stated value, in which case a conservator must be appointed to receive it.

Sec. 13.46.070. RECEIPT FOR CUSTODIAL PROPERTY.

This section discharges transferors from further responsibility for custodial property delivered to and receipted for by the custodian. See also sec. 13.46.150 which protects transferors and other third parties dealing with custodians. Because a discharge or release for a donative transfer is not necessary, this section had no counterpart in the UGMA.

This section does not authorize an existing custodian, or a custodian to whom an obligor makes a transfer under sec. 13.46.060 to settle or release a claim of the minor against a third party. Only a conservator, a guardian ad litem, or other person authorized under other law to act for the minor may release such a claim.

Sec. 13.46.080. MANNER OF CREATING CUSTODIAL PROPERTY AND EFFECTING TRANSFER; DESIGNATION OF INITIAL CUSTODIAN; CONTROL.

The 1966 version of the UGMA contained optional bracketed language permitting an adopting state to limit the class of eligible initial custodians to an adult member of the minor's family or a guardian of the minor. This optional limitation has been deleted because it would preclude the use of an individual and uncompensated custodian if no qualified or willing family member is available.

Otherwise, with respect to transfers of securities, cash, and insurance or annuity contracts, this section tracks the cognate provisions of subsection 2(a) of the 1966 version of the UGMA, with one exception. Under sec. 13.46.080(a)(1)(ii), a transfer of securities in registered form may be accomplished without registering the transfer in the name of the custodian so that transfers may be accomplished more expeditiously, and so that securities may be held by custodians in street name. In other words, sec. 13.46.080(a)(1)(i) is not the exclusive manner for making effective transfers of securities in registered form.

In addition, subsection (a) creates new procedures for handling the additional types of property now subject to the Act; specifically:

Paragraph (a)(3) covers the irrevocable transfer of ownership of life and endowment insurance policies and annuity contracts.

Paragraph (a)(4) covers the irrevocable exercise of a power of appointment and the irrevocable present assignment of future payment rights, such as royalties, interest, and principal payments under a promissory note, or beneficial interests under life or endowment or annuity insurance contracts or benefit plans. The payor, issuer, or obligor may require additional formalities such as completion of a specific assignment form and an endorsement, but the transfer is effective upon delivery of the notification. (See sec. 13.46.020 and the Commentary to sec. 13.46.020 for the procedure for revocably "nominating" a future custodian as a beneficiary of a power of appointment or such payment rights.)

Paragraph (a)(5) is the exclusive method for the transfer of real estate and includes a disposition effected by will. Under the law of those states in which a devise of real estate vests in the devisee without the need for a deed from the personal representative of the decedent, a document such as the will must still be "recorded" under this provision to make the transfer effective. For inter vivos transfers, of course, a conveyance in recordable form would be employed for dispositions of real estate to a custodian.

Paragraph (a)(6) covers the transfer of personal property such as automobiles, aircraft, and other property subject to registration of ownership with a state or federal agency. Either registration of the transfer in the name of the custodian or delivery of the endorsed certificate in registerable form makes the transfer effective.

Paragraph (a)(7) is a residual classification, covering all property not otherwise covered. Examples would include nonregistered securities, partnership interests, and tangible personal property not subject to title certificates.

The form of transfer document recommended and set out in subsection (b) contains an acceptance that must be executed by the custodian to make the disposition effective. While such a form of written acceptance is not specifically

required in the case of registered securities under (a)(1), money under (a)(2), insurance contracts or interests under (a)(3) or (a)(4), real estate under (a)(5), or titled personal property under (a)(6), it is certainly the better and recommended practice to obtain the acknowledgment, consent, and acceptance of the designated custodian on the instrument of transfer, or otherwise.

A transferor may create a custodianship by naming himself as custodian, except for transfers of securities under (a)(1)(B), insurance and annuity contracts under (a)(3)(B), and titled personally under (a)(6)(B), which are made without registering them in the name of the custodian, and transfers of the residual class of property covered by (a)(7). In all of these cases a transfer of possession and control to a third party is necessary to establish donative intent and consummation of the transfer, and designation of the transferor as custodian renders the transfer invalid under sec. 13.46.100(a)(2).

Note, also, that the Internal Revenue Service takes the position that custodial property is includable in the gross estate of the donor if he appoints himself as custodian and dies while serving in that capacity before the minor attains the age of 21. Rev.Rul. 57-366, C.B. 1957-2, 618; Rev.Rul. 59-357, C.B. 1959-2, 212; Rev.Rul. 70-348, C.B. 1970-2, 193; Estate of Prudowsky v. Comm'r, 55 T.C. 890 (1971), affd. per curiam, 465 F.2d 62 (7th Cir. 1972).

The AkUTMA has been drafted in an attempt to avoid income attribution to the parent or inclusion of custodial insurance policies on a custodian's life in the estate of the custodian through the changes made in the standards for expenditure of custodial property and the custodian's incidents of ownership in custodial property. See secs. 13.46.120 and 13.46.130 and the Commentary to secs. 13.46.120 and 13.46.130. However, the much greater problem of inclusion of custodial property in the estate of the donor who serves as custodian remains. Therefore, despite the fact that this section permits it in the case of registered securities, money, life insurance, real estate, and personal property subject to titling laws, it is generally still inadvisable for a donor to appoint himself custodian or for a parent of the minor to serve as custodian. See, generally Sections 2036 and 2038 Internal Revenue Code and Rulings and cases cited above; with respect to gifts of closely held stock when a donor retains voting rights by serving as custodian, see Section 2036(b), Internal Revenue Code overruling U.S. v. Byrum, 408 U.S. 125 (1972), rehearing denied 409 U.S. 898.

Subsection (c) tracks in substance Section 2(c) of the 1966 version of the UGMA. However, it replaces the requirement

that the transferor "promptly do all things within his power" to complete the transfer, with the requirement that such action must be taken "as soon as practicable." This change is intended only to reflect the fact that possession and control of property transferred from an estate can rarely be accomplished with the immediacy that the term "promptly" may have implied. In the case of inter vivos transfers, no relaxation of the former requirement is intended, since "prompt" transfer of dominion is usually practicable.

Sec. 13.46.085. NATIVE CORPORATIONS; CUSTODIANS.

This section has no comparable provision in the UGMA or the UTMA. This section is derived from AS 45.60.016 which was added to the Alaska Uniform Gifts to Minors Act in 1972 to address the issue of transfers to minors arising under the Alaska Native Claims Settlement Act.

Sec. 13.46.090. SINGLE CUSTODIANSHIP.

The first sentence follows Section 2(b) of the 1966 version of the UGMA. The second sentence states what was implicit in the 1966 version of the UGMA, that additional transfers at different times and from different sources may be made to an existing custodian for the minor and do not create multiple custodianships. This provision also permits an existing custodian to be named as successor custodian by another custodian for the same minor who resigns under sec. 13.46.170 for the purpose of consolidating the assets in a single custodianship.

Note, however, that these results are limited to transfer made under the AkUTMA. Gifts previously made under the Alaska UGMA or under the UGMA or the UTMA of another state must be treated as separate custodianships, even though the same custodian and minor are involved, because of possible differences in the age of distribution and custodian's powers under those other Acts.

Even when all transfers to a single custodian are made under the AkUTMA and a single custodianship results, custodial property transferred under secs. 13.46.050 and 13.46.060 must be accounted for separately from property transferred under secs. 13.46.030 and 13.46.040 because the custodianship will terminate sooner with respect to the former property since the State of Alaska has a statutory age of majority at 18, which is lower than 21. See sec. 13.46.190 and the Commentary to sec. 13.46.190.

Sec. 13.46.100. VALIDITY AND EFFECT OF TRANSFER.

Subsection (a) generally tracks Section 2(c) of the 1966 version of the UGMA, except that the transferor's des-

ignation of himself as custodian of property for which he is not eligible to serve under sec. 13.46.080(a) makes the transfer ineffective. See Commentary to sec. 13.46.080.

The balance of this section generally tracks Section 3 of the 1966 version of the UGMA with a number of necessary, and perhaps significant, changes required by the new kinds of property subject to custodianships. The 1966 version of the UGMA provides that a transfer made under its terms "conveys to the minor indefeasibly vested legal title to the [custodial property]." Because equitable interests in property may be the subject of a transfer under the AkUTMA, the reference to "legal title" has been deleted, but no change concerning the effect or finality of the transfer is intended.

However, subsection (b) qualifies the rights of the minor in the property, by making them subject to "the rights, power, duties and authority" of the custodian under the AkUTMA, a concept that may have been implicit and intended in the 1966 version of the UGMA, but not expressed. The concept is important because of the kinds of property, particularly real estate, now subject to custodianship. If the minor is married, it would be possible for homestead, dower, or community property rights to attach to real estate (or other property) acquired after marriage by the minor through a transfer to a custodianship for his benefit. The quoted language qualifying the minor's interest in the property is intended to override these rights insofar as they may conflict with the custodian's ability and authority to manage, sell, or transfer the property while it is custodial property. Upon termination of the custodianship and transfer of the custodial property to the former minor, the custodial property would then become subject to such spousal rights for the first time.

For a list of the immunities enjoyed by third persons under subsection (c), see sec. 13.46.150 and the Commentary to sec. 13.46.150.

Because of custodianship under the AkUTMA can extend beyond the age of majority in many states, or beyond emancipation of a minor through marriage or otherwise, the Drafting Committee of the UTMA considered the addition of a spendthrift clause to this section. The idea was rejected because neither the 1966 version of the UGMA nor its predecessors had such a provision, because spendthrift protection would extend only until 21 in any event and judgments against the minor would then be enforceable, and because the spendthrift qualification on the interest of the minor in the property may be inconsistent with the theory of the UTMA to convey the property indefeasibly to the minor.

Subsection (d), (e), and (f) are derived from California amendments to the UTMA but are not included in the UTMA. These subsections are included in the AkUTMA to make clear that (1) a person serving as guardian of the estate of the minor (conservator) may also serve as custodian and in this case the custodial property does not become a part of the guardianship estate; and (2) property may be transferred from a guardianship estate to the person who serves as guardian to be held by that person as custodian, and in such case the property is no longer a part of the guardianship estate but instead is governed solely by the AkUTMA. (17 Cal.L.Rev.Comm.Reports 61 (1984)).

#### Sec. 13.46.110. CARE OF CUSTODIAL PROPERTY.

Subsection (a) expands Section 4(a) of the 1966 version of the UGMA to include the duties to take control and appropriately register or record custodial property in the name of the custodian.

Subsection (b) restates and makes somewhat stricter the "prudent person" fiduciary standard for the custodian, since it is now cast in terms of a prudent person "dealing with property of another" rather than one "who is seeking reasonable income and the preservation of his capital," as under the 1966 version of the UGMA. The rule also adds a slightly higher standard for professional fiduciaries. The rule parallels section 7-302 of the Uniform Probate Code (AS 13.36.075) in order to refer to the existing and growing body of law interpreting that standard. The 1966 version of the UGMA permitted a custodian to retain any security or bank account received, without the obligation to diversify investment. This subsection extends that rule to any property received.

In order to eliminate any uncertainty that existed under the 1966 version of the UGMA, subsection (c) grants specific authority to invest custodial property in life insurance on the minor's life, provided the minor's estate is the sole beneficiary, or on the life of another person in whom the minor has an insurable interest, provided the minor, the minor's estate, or the custodian in his custodial capacity is made the beneficiary of the policies.

Subsection (d) generally tracks Section 4(g) of the 1966 version of the UGMA but adds the provision requiring that custodial property consisting of an undivided interest be held as a tenant in common. This provision permits the custodian to invest custodial property in common trust funds, mutual funds, or in a proportional interest in a "jumbo" certificate of deposit. Investment in property held in joint tenancy with right of survivorship is not permitted, but the AkUTMA does not preclude a transfer of such an

interest to a custodian, and the custodian is authorized under subsection (b) to retain a joint tenancy interest so received.

Subsection (e) follows Section 4(h) of the 1966 version of the UGMA, but adds the requirement that income tax information be maintained and made available for preparation of the minor's tax returns. Because the custodianship is not a separate legal entity or taxpayer, the minor's tax identification number should be used to identify all custodial property accounts.

#### Sec. 13.46.120. POWERS OF CUSTODIAN.

Subsection (a) replaces the specific list of custodian's powers contained in Section 4(f) of the 1966 version of the UGMA which related only to securities, money, and insurance, when the only permitted kinds of custodial property. It was determined not to expand the list to try to deal with all forms of property now covered by the AkUTMA and to specify all powers that might be appropriate for each kind of property, or to refer to an existing body of state law, such as the Trustee's Powers Act, since such powers would not be uniform. Instead, this provision grants the custodian the very broad and general powers of an unmarried adult owner of the property, subject to the prudent person rule and to the duties of segregation and record keeping specified in sec. 13.46.110. This approach permits the AkUTMA to be self-contained and more readily understandable by volunteer, nonprofessional fiduciaries, who most often serve as custodians. It is intended that the authority granted includes the powers most often suggested for custodians, such as the power to borrow, whether at interest or interest free, the power to invest in common trust funds, and the power to enter contracts that extend beyond the termination of the custodianship.

Subsection (a) further specifies that the custodian's powers or incidents of ownership in custodial property such as insurance policies may be exercised only in the capacity as custodian. This provision is intended to prevent the exercise of those powers for the direct or indirect benefit of the custodian, so as to avoid as nearly as possible the result that a custodian who dies while holding an insurance policy on his own life for the benefit of a minor will have the policy taxed in his estate. See, Section 2042, Internal Revenue Code; but compare Terriberry v. U.S., 517 F.2d 286 (5th Cir. 1975), and Rose v. U.S., 511 F.2d 259 (5th Cir. 1975).

#### Sec. 13.46.130. USE OF CUSTODIAL PROPERTY.

Subsections (a) and (b) track subsections (b) and (c) of Section 4 of the 1966 version of the UGMA, but with two significant changes. The standard for expenditure of custodial property has been amended to read "for the use and benefit of the minor," rather than "for the support, maintenance, education and benefit of the minor" as specified under the 1966 version of the UGMA. This change is intended to avoid the implication that the custodial property can be used only for the required support of the minor.

The Internal Revenue Service has taken the position that the income from custodial property, to the extent it is used for the support of the minor-donee, is includable in the gross income of any person who is legally obligated to support the minor-donee, whether or not that person or parent is serving as the custodian. Rev.Rul. 56-484, C.B. 1956-2, 23; Rev.Rul. 59-357, C.B. 1959-2, 212. However, Reg. 1.662(a)-4 provides that the term "legal obligation" includes a legal obligation to support another person if, and only if, the obligation is not affected by the adequacy of the dependent's own resources. Thus, if under local law a parent may use the resources of a child for the child's support in lieu of supporting the child himself or herself, no obligation of support exists, whether or not income is actually used for support, at least if the child's resources are adequate. See, Bittker, Federal Taxation of Income Estates and Gifts Para. 80.44 (1981).

For this reason, subsection (c) has been added to specify that distributions or expenditures may be made for the minor without regard to the duty or ability of any other person to support the minor and that distributions or expenditures are not in substitution for, and shall not affect, the obligation of any person to support the minor. Other possible methods of avoiding the attribution of custodial property income to the person obligated to support the minor would be to prohibit the use of custodial property or its income for that purpose, or to provide that any such use gives rise to a cause of action by the minor against his parent to the extent that custodial property or income is so used. The first alternative was rejected as too restrictive, and the second as too cumbersome.

The "use and benefit" standard in subsections (a) and (b) is intended to include payment of the minor's legally enforceable obligations such as tax or child support obligations or tort claims. Custodial property could be reached by levy of a judgment creditor in any event, so there is no reason not to permit custodian or court-ordered expenditures for enforceable claims.

An "interested person" entitled to seek court ordered distributions under subsection (b) would include not only the

parent or conservator or guardian of the minor and a transferor or a transferor's legal representative, but also a public agency or official with custody of the minor and a third party to whom the minor owes legally enforceable debts.

Sec. 13.46.140. CUSTODIAN'S EXPENSES, COMPENSATION, AND BOND.

This section parallels and restates Section 5 of the 1966 version of the UGMA. It deletes the statement that a custodian may act without compensation for services, since that concept is implied in the retained provision that a custodian has an "election" to be compensated. However, to prevent abuse, the latter provision for permissive compensation is denied to a custodian who is also the donor of the custodial property.

The custodian's election to charge compensation must be exercised (although the compensation need not be actually paid) at least annually or it lapses and may not be exercised later. This provision is intended to avoid imputed income to the custodian who waives compensation, and also to avoid the accumulation of a large unanticipated claim for compensation exercisable at termination of the custodianship.

This section deletes as surplusage the bracketed optional standards contained in the 1966 version of the UGMA for determining "reasonable compensation" which included, "in the order stated," a direction by the donor, statutes governing compensation of custodians or guardians, or court order. While compensation of custodians becomes a more likely occurrence and a more important issue under the AkUTMA because property requiring increased management may now be subject to custodianship, compensation can still be determined by agreement, by reference to a statute or by court order, without the need to so state in the AkUTMA.

Sec. 13.46.150. EXEMPTION OF THE THIRD PERSON FROM LIABILITY.

Sec. 13.46.150 carries forward, but shortens and simplifies, Section 6 of the 1966 version of the UGMA with no substantive change intended. The 1966 version of the UGMA permitted a 14 year old minor to appoint a successor custodian and specifically provided that third parties were entitled to rely on the appointment. Because this section refers to any custodian, and "custodian" is defined to include successor custodians (Sec. 13.46.990(7)), a successor custodian appointed by the minor is included among those upon whom third parties may rely.

Similarly, because this section protects any third "persons," it is not necessary to specify here or in sec.

13.46.100(c) that it extends to any "issuer, transfer agent, bank, life insurance company, broker, or other person or financial institution," as did the 1966 version of the UGMA. See the definition of "person" in AS 01.10.060.

This section excludes from its protection persons with "knowledge" of the irregularity of a transaction, a concept not expressed but probably implied in Section 6 of the 1966 version of the UGMA. See, e.g., State ex rel. Paden v. Currel, 597 S.W.2d 167 (Mo. App. 1980) disapproving the pledge of custodial property to secure a personal loan to the custodian.

Similarly, this section does not alter the requirements for bona fide purchaser or holder in due course status under other law for persons who acquire from a custodian custodial property subject to recordation or registration.

#### Sec. 13.46.160. LIABILITY TO THIRD PERSONS.

This section has no counterpart in the 1966 version of the UGMA and is based upon Section 5-429 of the Uniform Probate Code (AS 13.26.305), relating to limitations on the liability of conservators. Because some forms of custodial property now permitted under the AkUTMA can give rise to liabilities as well as benefits (e.g., general partnership interests, interests in real estate or business proprietorships, automobiles, etc.) the Drafting Committee for the Uniform Transfers to Minors Act believed it is necessary to protect the minor and other assets the minor might have or acquire from such liabilities, since the minor is unable to disclaim a transfer to a custodian for his benefit. Similar protection for the custodian is necessary so as not to discourage nonprofessional or uncompensated persons from accepting the office. Therefore this section generally limits the claims of third parties to recourse against the custodial property, as third parties dealing with a trust are generally limited to recourse against the trust corpus.

The custodian incurs personal liability only as provided in subsection (b) for actual fault or for failure to disclose his custodial capacity "in the contract" when contracting with third parties. In oral contracts, oral disclosure of the custodial capacity is sufficient. The minor, on the other hand, incurs personal liability under subsection (c) only for actual fault.

When custodial property is subjected to claims of third parties under this section, the minor, the minor's legal representative, if not a party to the action by which the claim is successfully established, may seek to recover the loss from the custodian in a separate action. See sec. 13.46.180 and the commentary to sec. 13.46.180.

Sec. 13.46.170. RENUNCIATION, RESIGNATION, DEATH, OR  
REMOVAL OF CUSTODIAN; DESIGNATION OF SUCCESSOR CUSTODIAN.

This section tracks but condenses Section 7 of the 1966 version of the UGMA to provide that the custodian, or if the custodian does not do so, the minor if he is 14, may appoint the successor custodian, or failing that, that the conservator of the minor or a court appointee shall serve. It also covers disclaimer of the office by designated or successor custodians or by nominated future custodians who decline to serve.

The AkUTMA broadens the category of persons who may be designated by the initial custodian as successor custodian from an adult member of the minor's family, his conservator, or a trust company to any adult or trust company. However, the minor's designation remains limited to an adult member of his family (expanded to include a spouse and a stepparent, see sec. 13.46.990(10)), his conservator, or a trust company.

Sec. 13.46.180. ACCOUNTING BY AND DETERMINATION OF  
LIABILITY OF CUSTODIAN.

This section carries forward Section 8 of the 1966 version of the UGMA, but expands the class of parties who may require an accounting by the custodian to include any person who made a transfer to the custodian (or that person's legal representative), the minor's guardian of the person, and the successor custodian.

Subsection (b) authorizes but does not obligate a successor custodian to seek an accounting by the predecessor custodian. Since the minor and other persons mentioned in subsection (a) may also seek an accounting from the predecessor at any time, it is anticipated that the exercise of this right by the successor should be rare.

Subsection (a) also gives the same parties (other than a successor custodian) the right to seek recovery from the custodian for loss or diminution of custodial property resulting from successful claims by third persons under sec. 13.46.160, unless that issue has already been adjudicated in an action under that section to which the minor was a party.

This section does not contain a separate statute of limitations precluding petitions for accounting after termination of the custodianship. Because custodianships can be created without the knowledge of the minor, a person might learn of a custodian's failure to turn over custodial property long after reaching majority, and should not be precluded from asserting his rights in the case of such fraud. In addition, the 1966 version of the UGMA has no such preclusion

and seems to have worked well. Other law, such as general statutes of limitation and the doctrine of laches, should serve adequately to protect former custodians from harassment.

Sec. 13.46.190. TERMINATION OF CUSTODIANSHIP.

This section tracks Section 4(d) of the 1966 version of the UGMA and provides that custodianships created by fiduciaries without express authority from the donor of the property under sec. 13.46.050 and by obligors of the minor under sec. 13.46.060 terminate upon the minor's attaining age 18, since these custodianships are substitutes for conservatorships that would otherwise terminate at that time. All other custodianships terminate at the time the minor attains 18 years of age unless the time of transfer of the custodial property is delayed under sec. 13.46.195 to a time after the time the minor attains the age of 18 years. Because property in a single custodianship may be distributable at different times, separate accounting for custodial property by source may be required. See Commentary to sec. 13.46.090.

Sec. 13.46.195. DELAY IN TRANSFER OF CUSTODIAL PROPERTY AFTER MINOR ATTAINS AGE 18.

This section is adopted from the California Uniform Transfers to Minors Act. This section is new. There is no provision for choice as to when custodial property shall be transferred to the minor under the Uniform Transfers to Minors Act or under prior Alaska law. This section gives this choice since most transferors who specifically authorize a custodian wish to preserve the custodianship as long as possible. This is most likely to be the case, for example, where the custodial property is intended to be preserved and used to finance a college education.

A transferor may feel that a particular child at 18 does not have, or will not have, sufficient maturity to manage a substantial gift, particularly when the transferor wishes to make the gift for a particular purpose, e.g. education. A custodian under the Alaska Uniform Gifts to Minors Act must deliver the property to the minor when the minor reaches 18 (AS 45.60.031(d)). Therefore, a testamentary or inter vivos trust may be necessary to achieve the transferor's goals. Continuing the custodianship past the age of 18 permits the transferor donor to avoid the expense of preparing a trust instrument to create a trust that otherwise would be required in order to retain the property under custodial management until the minor reaches the specified age.

The custodian is required to transfer the property to the minor when the minor attains the age of 18 years unless the

transfer under sec. 13.46.080 specifies a later time. See sec. 13.46.190.

Subsection (c) contains optional language which the donor-transferor may use to allow a minor the option of terminating the custodianship during a six month period beginning on the minor's 21st birthday. In order to exercise this option, a minor must provide written notice of the minor's intention to terminate to the custodian within 6 months of the minor's 21st birthday. This option has been provided so that a transferor may transfer property by irrevocable gift, under sec. 13.46.030, into a custodianship in a manner consistent with Section 2503(c) of the Internal Revenue Code and the Internal Revenue Service's position as put forth in Rev.Rul. 74-43.

Rev.Rul. 74-43 provides, in relevant part, that a gift into a trust for the benefit of a minor, when such a trust contains a provision that the minor has the right to compel distribution at age 21 by giving written notice to the trustee, qualifies as a gift of a present interest, and, therefore, also qualifies for the annual exclusion provided in Section 2503(b) of the Internal Revenue Code.

The use of the optional language contained in subsection (c) that allows a minor to compel delivery of custodial property when the minor reaches the age of 21 should qualify a transfer of property by irrevocable gift under sec. 13.46.030 as a gift of a present interest under Section 2503(c) of the Internal Revenue Code.

Subsection (d) permits the custodianship to continue until not later than the time the minor attains the age of 25 years where the transfer is made under a provision in a will or trust that provides that the custodianship is to continue until the specified age, not later than the time the beneficiary attains the age of 25. A custodianship may be established under a provision in a will or trust that provides that the custodianship is to continue until a specified age after age 18 even though the beneficiary has attained an age older than 18 but younger than the specified age at which the custodianship is to terminate. See sec. 13.46.990(11).

Subsection (e) permits the custodianship to continue until the time the minor attains the age of 25 years where the custodial property is transferred under sec. 13.46.030 if the transfer specifies that the custodianship is to continue until the specified age.

This section does not provide for continuance beyond age 18 of a custodianship created under secs. 13.46.010, 13.46.050,

13.46.060, 13.46.100, 13.46.110 or 13.46.120. These custodianships terminate at age 18 because they are substitutes for a guardianship that otherwise would terminate at that time (see sec. 13.46.150). And, in the cases where this section permits the custodianship to continue after the minor attains the age of 18 years, if the transfer under sec. 13.46.080 does not specify any age, the custodianship terminates when the minor attains 18 years of age. See (f) of this section.

Subsection (g) validates a transfer that specifies a maximum time for the duration of the custodianship that is longer than permitted by this section by reducing the duration of the custodianship to the maximum duration permitted for a custodianship created by that type of transfer.

Because property in a single custodianship may be distributable at different times, separate accounting for custodial property by source may be required. See Commentary to sec. 13.46.090. Also see 17 Cal.L.Rev.Comm. Reports 601 (1984); 84 Cal.S.J. 11794.

#### Sec. 13.46.200. APPLICABILITY.

This section is new and has two purposes. First, it operates as a "savings clause" to validate transfers made after its effective date which mistakenly refer to Alaska's UGMA rather than to the AkUTMA. Second, it validates transfers attempted under the UGMA of another state which would not permit transfers from the source or of property of that kind or under the UTMA of another state with no nexus to the transactions, provided in each case that Alaska has a sufficient nexus to the transaction under sec. 13.46.010.

#### Sec. 13.46.210. EFFECT ON EXISTING CUSTODIANSHIPS.

Subsection (a) is new and is based on Section 45-109a of the Connecticut Uniform Transfers to Minors Act which validates gifts of real estate and partnership interests made prior to their inclusion as "custodial property" under that Act. However, this provision goes further and purports also to validate prior transfers of the kind now covered by that Act, i.e., transfers from estates, trusts, guardianships, and obligators.

All states have previously enacted some version of the UGMA, and it will be more orderly to subject gifts or other transfers under the UGMA to the procedures of the UTMA rather than to keep both the UGMA and UTMA in force, presumably for 18 or 21 years until all custodianships created under prior law have terminated. Subsection (b) is intended to apply the AkUTMA to prior gifts and existing custodianships

insofar as it is constitutionally permissible to do so. However, prior custodianships will continue to terminate at the age prescribed by the Act under which the gift or transfer was made.

Subsection (c) is also new and is based upon Section 45-109b of the Connecticut Act. This subsection is intended for adoption in those states that reduced the age of majority to 18, but which adopt the recommended return to 21 as the age at which custodianships terminate. Its purpose is to avoid resurrecting custodianships for persons not yet 21 which terminated during the period that the age of 18 governed termination.

Subsection (d) is also new. This subsection is derived from sec. 27 of the UTMA, relating to the effect of the repeal of the UGMA.

Sec. 13.46.220. UNIFORMITY OF APPLICATION.

No commentary.

Sec. 13.46.990. DEFINITIONS.

To reflect the broader scope and the unlimited types of property to which the AkUTMA will apply, a number of definitional changes have been made from the 1966 version of the UGMA. In addition, several definitions specifically applicable to the limited types of property (cash, securities, and insurance policies) subject to the 1966 version of the UGMA have been eliminated as unnecessary. These include the definitions of "bank," "issuer," "life insurance policy or annuity contract," "security," and "transfer agent." No change in the meaning or construction of these terms as used in the AkUTMA is intended by these deletions.

The definitions of "domestic financial institution" and "insured financial institution" have been eliminated because few, if any, states limit deposits by custodians to local institutions, and the prudent person rule of sec. 13.46.110(b) of the AkUTMA may dictate the use of insured institutions as depositories, without having to so specify.

The principal changes or additions to the remaining definitions are discussed below.

"Benefit Plan" The definition of "benefit plan" is intentionally very broad and is meant to cover any contract, plan, system, account, or trust such as a pension plan, retirement plan, death benefit plan, deferred compensation plan, employment agency arrangement, or stock bonus, option or profit sharing plan.

"Conservator" The term "conservator" rather than "guardian of the estate" has been employed to conform to Uniform Probate Code terminology (AS 13.06 - 13.36). The term includes a guardian of the minor's property, whether general, limited or temporary, and includes a committee, tutor, or curator of the minor's property.

"Custodial Property" The definition of "custodial property" has been generalized and expanded to encompass every conceivable legal or equitable interest in property of any kind, including real estate and tangible or intangible personal property. The term is intended, for example, to include joint interests with right of survivorship, beneficial interest in land trusts, as well as all other intangible interests in property. Contingent or expectancy interests such as the designation as a beneficiary under insurance policies or benefit plans become "custodial property" only if the designation is irrevocable, or when it becomes so, but the AkUTMA specifically authorizes the "nomination" of a future custodian as beneficiary of such interests (see sec. 13.46.020). Proceeds of custodial property, both immediate and remote, are themselves custodial property, as is the case under UGMA.

Custodial property is defined without reference to the physical location of the property, even if it has one. No useful purpose would be served by restricting the application of the AkUTMA to, for example, real estate "located in this state," since a conveyance recorded in the state of the property's location if done with proper formalities, should be effective even if that state has not enacted the UTMA. The rights, duties, and powers of the custodian should be determined by reference to the law of the state under which the custodianship is created, assuming there is sufficient nexus under sec. 13.46.010 between that state and the transferor, the minor, or the custodian.

"Minor" "Minor" is defined as an individual who has not attained the age of 18 years (consistent with AS 25.20.010), except that the term "minor" may include an older individual under some circumstances when the term is used with reference to the beneficiary for whose benefit custodial property is held or is to be held for a period past the age of 18 years. See the Commentary to secs. 13.46.190 and 13.46.195.

"Personal Representative" The definition of the term "personal representative" is based upon the definition in the Uniform Probate Code (AS 13.06.050(30)).

"Transfer" The new definition of "transfer" is necessary to reflect the application of the AkUTMA not only to gifts, but

also to distributions from trusts and estates, obligors of the minor, and transfers of the minor's own assets to a custodianship by the legal representative of a minor, all of which are now permitted by the AkUTMA.

"Transferor" The new definition of "transferor" is required because the term includes not only the maker of a gift, i.e., a donor in the usual sense, but also fiduciaries and obligors who control or own property that is the subject of the transfer. Nothing in the AkUTMA requires that a transferor be an "adult." If permitted under other law of the state relating to emancipation or competence to make a will, gift, or other transfer, a minor may make an effective transfer of property to a custodian for his benefit or for the benefit of another minor.

"Trust Company" Only entities authorized to exercise "general" trust powers qualify as a "trust company"; that is, the authority to exercise only limited fiduciary responsibilities, such as the authority to accept Individual Retirement Account deposits, is not sufficient.

Sec. 13.46.999. SHORT TITLE.

No commentary.

wkmi2/002

KENNETH R. ATKINSON  
JOHN M. CONWAY  
BRUCE E. GAGNON  
ROBERT J. DICKSON  
W. MICHAEL MOODY  
GEORGE M. KAPOLCHOK  
JOHN A. TREPTOW  
PATRICK B. GILMORE  
SUSAN WRIGHT MASON  
RICHARD E. VOLLERTSEN  
GARY M. QUARINO  
NEIL T. O'DONNELL  
ROBIN O. BRENA  
PAUL F. LYNCH  
CATHLEEN NELSON McLAUGHLIN  
CRAIG F. STOWERS

LAW OFFICES OF  
ATKINSON, CONWAY & GAGNON, INC.  
A PROFESSIONAL CORPORATION  
420 L STREET  
SUITE 500  
ANCHORAGE, ALASKA 99501

CABLE ADDRESS:  
COVER  
—  
TELEPHONE 276-1700  
AREA CODE 907  
—  
TELEX NUMBER:  
26-817  
—  
TELECOPIER/FACSIMILE:  
(907) 272-2082

April 26, 1988

Representative John L. Sund  
Attn: John W. Hartle, Legislative Aide  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811

Re: H.B. No. 468 ("AUTMA")

Dear Sirs:

The proposed Alaska Uniform Transfers to Minors Act ("AUTMA") (H.B. 468) provides a much needed revision and update to the current Alaska Uniform Gifts to Minors Act ("AUGMA"). AUGMA was originally enacted by the Legislature in 1967, and was based on the Uniform Gifts to Minors Act, which was created by the Uniform Commissioners in 1966. Since that time many states, on their own initiative, have greatly expanded the scope and flexibility of the Uniform Gifts to Minors Act. In response to these changes the Uniform Commissioners revised and updated the Uniform Gifts to Minors Act in 1983. The revised and updated Uniform Gifts to Minors Act was titled the Uniform Transfers to Minors Act; the proposed AUTMA (H.B. 468) is, with few exceptions, the Uniform Commissioners' revised and updated Uniform Transfers to Minors Act.

The proposed AUTMA improves on the current AUGMA in three significant respects: (1) AUTMA allows virtually any type of property, real or personal, tangible or intangible, to be transferred into a custodial account; (2) AUTMA allows a custodial account to be established through the use of multiple legal vehicles (e.g. wills and trusts) from multiple parties (e.g. guardians, third party debtors, and estates); and (3) AUTMA allows tremendous flexibility in determining when the custodial property will be distributed to the beneficiary. These improvements are briefly described below.

Rep. John L. Sund  
April 26, 1988  
Page 2

Under the current AUGMA only cash, insurance, annuities, and securities may be held in a custodial account for the benefit of the beneficiary. This unnecessarily restricts the usefulness of a custodial account; for example, the family home or other interests in real property may not be transferred into a custodial account for the benefit of a beneficiary. The proposed AUTMA will allow virtually any type of property, real or personal, tangible or intangible, to be transferred into a custodial account.

Under the current AUGMA the only way to transfer property into a custodial account is through a gift. This further unnecessarily restricts the usefulness of a custodial account; for example, a person cannot currently transfer property through his will or through his trust into a custodial account. The proposed AUTMA will allow such transfers. Moreover, the current AUGMA does not allow a trustee, personal representative, or third party debtor to establish a custodial account for the beneficiary's benefit; the proposed AUTMA would allow such custodial accounts to be established.

And finally under the current AUGMA, the property in the custodial account must be distributed to the beneficiary at the age of 18. Many people prefer to have the beneficiary receive the distribution from the custodial account at a more mature age or would prefer to use the custodial account to give financial support to a beneficiary throughout college. The proposed AUTMA allows the creator of the custodial account to determine any age between the age of 18 and 25 when the beneficiary will receive the distribution from the custodial account.

The current estate planning alternative to a custodial account is to use a trust. In many cases, the use of a trust is unnecessary and expensive. A trust has a far higher cost to create and to administer, and, in fact, professional administration is largely unavailable for a trust of less than \$50,000. In short, the proposed AUTMA would allow a custodial account to be used as a flexible and inexpensive alternative to a trust.

The proposed AUTMA does differ in some respects from the Uniform Commissioner's Uniform Transfers to Minors Act. The differences, however, largely reflect clarifications to the Uniform

Rep. John L. Sund  
April 26, 1988  
Page 3

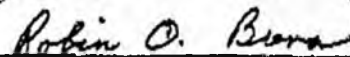
Transfers to Minors Act which were adopted by California. The major substantive difference, however, which also reflects the approach adopted by California, is that the distribution of the property in the custodial account may be delayed until the age of 25.

In my current position as Chairman of the Estate Planning and Probate Section of the Alaska Bar Association, I have had occasion to discuss the proposed AUTMA with many of the estate planning attorneys in the Anchorage area. In fact, the proposed AUTMA has been extensively discussed at several of our Section meetings. All of the estate planning attorneys with which I have discussed the proposed AUTMA are in support of its enactment. If there are any questions or if I may be of any assistance, please feel free to call. Thank you for your consideration.

Very truly yours,

ATKINSON, CONWAY & GAGNON

By

  
Robin O. Brena

ROB:blg

GEORGE A. DICKSON  
ATTORNEY AT LAW  
1009 WEST 7TH AVENUE  
ANCHORAGE, ALASKA 99501

GEORGE A. DICKSON  
WARREN D. WESTFALL

TELEPHONE  
AREA CODE 907  
276-7887

August 20, 1987

Representative John Sund  
Chairman of the House Judiciary Committee  
P.O. Box V  
Juneau, Alaska 99811

ATTN: John Hartle  
Chief of Staff

Dear Representative Sund:

The Uniform Transfers to Minors Act will be a very important piece of legislation for those Alaskans who wish to set aside money or property to fund their children's college education without the monetary expense of setting up a trust. This will be a very cost effective piece of legislation allowing much greater freedom to the custodian to use property for the beneficiary. The major reasons for this can be summarized as follows:

1. The front end cost of setting up an alternative method of administration (such as a trust) of \$1,000.00 to \$2,000.00 is completely avoided;
2. The custodianship is not a separate tax paying entity so the yearly cost of preparing a separate tax return is avoided;
3. A custodian would be able to use custodial property for the beneficiary with much greater freedom and less expense than a trustee of a trust.

This legislation would benefit from having hearings during the fall because:

1. The ability of the legislature to retroactively apply this legislation to custodial accounts in existence prior to the passage of any legislation has been raised as an issue and should be fully explored;
2. The provisions of Section 20.5 regarding salary of termination are perhaps the most controversial and the most significant. To prevent a major breakdown or piecemeal amendment of this legislation those parties who have an interest in seeing this legislation passed would benefit greatly by discussing, and having a full understanding of, the reasons and effect of the delay provisions of Section 20.5 prior to this legislation's introduction in the next legislative session. Hearings would provide a opportunity for a consensus to be formed by those

GIFTS

Please photocopy to  
Rep John Sund

Attn: John Hartle

# Expanded opportunities available under Uniform Transfers to Minors Act

Re: changes between

UGMA + UTMA  
(Model Act)

*Broadening the earlier approach of the Uniform Gifts to Minors Act, UTMA allows any type of property to be transferred to a custodian and allows fiduciaries to establish custodianships. This article examines these and other distinctions from UGMA, as well as the tax consequences.*

by JAMES R. LEDWITH and MARY ANN ROBINSON, Attorneys, Philadelphia

**T**HE UNIFORM Transfers to Minors Act (UTMA)<sup>1</sup> was adopted by the National Conference on Uniform Laws in 1983 to provide a mechanically simple and inexpensive method of transferring property to minors and to promote uniformity among the states. UTMA revises and expands the Uniform Gifts to Minors Act (UGMA).<sup>2</sup>

Primarily, UTMA allows any kind of property to be transferred to a custodianship, and the Act's title was changed from "gifts" to "transfers" to reflect the expansive nature of UTMA. UTMA also authorizes a personal representative or trustee to establish a custodianship even without the express authority to do so in a governing will or trust. Furthermore, UTMA clarifies that expenditures of custodial property may not serve as a substitute for a legal obligation to support a minor. UTMA also authorizes transfers from third parties who are obligated to the minor. *AK. Stat*

## Background

The original Uniform Gifts to Minors Act was approved by the National Conference of Commissioners on Uniform State Laws in 1956. UGMA was based on the "Model Act Concerning Gifts & Securities to Minors" which was promulgated by the New York Stock Exchange and the Association of Stock Exchange Firms in 1954 and was adopted by 14 states. The Exchange's goal was to provide a simple and inexpensive means of transferring gifts of securities to minors and to allow the passage of such property to the minor outside of probate upon the death of the donor. The 1956 version of UGMA adhered to these general principles yet broadened the Model Act to include gifts of money.

UGMA was revised in 1965 and 1966 to increase the types of financial institutions which could serve as depositories of custodial funds, to allow successor custodians, and to include insurance policies and annuity contracts as gifts under the Act. Not all states have adopted these revisions. Many others have taken substantial steps beyond the 1966 changes and have expanded their versions of UGMA to include other types of property (e.g., real property), and to allow transfers of gifts to custodians from decedents' trusts and estates as well as lifetime gifts. Therefore, following the 1966 revision of UGMA, the original goals of uniformity and simplicity deteriorated as the states created their own various gifts to minors laws. *AK 47*

In 1983, the National Conference on Uniform Laws addressed the problem of lack of uniformity and asserted the need to avoid conflicts of laws when the laws of more than one state may apply to a transaction. The Conference recommended the new Uniform Transfers to Minors Act as a restatement and expansion of UGMA principles. Rather than amending UGMA, the Conference stated that a complete rewriting was needed to incorporate other forms of property and dispositions, as well as to improve the clarity of the Act itself. As of June 1986, 16 states have adopted UTMA with no substantial alterations. It is under consideration in other states. *CA. was included as one of the 16 states*

## Major changes

**Types of property.** UTMA dramatically expands the meaning of custodial property to include any type of property interest. As is made clear by the comment to Section 1(6) of UTMA, a donor may transfer both property which was specifically authorized under UGMA (including securities, money,

and insurance contracts) as well as other types of property (including real property, tangible personal property, general and limited partnership interests, patents, royalty interests, and intellectual property).

*Custodianships established with express authority in the governing instrument.* UTMA not only allows custodial transfers by the traditional lifetime gift, which was the only kind of transfer authorized by the 1966 UGMA, but it also allows a fiduciary to establish a custodianship if authorized in a governing will or trust. Following the 1966 revision of UGMA, several states enacted provisions allowing a fiduciary to establish a custodianship if authorized in the governing instrument,<sup>4</sup> but such a provision was not part of UGMA. This section of UTMA was designed to allow the fiduciary to transfer the minor's property to a custodian for purposes of administrative convenience and economic benefit. It also permits the fiduciary to nominate the custodian if the settlor or testator fails to do so.

*Custodianships without express authority in the governing instrument.* Under Section 7 of UTMA, the fiduciary who holds funds to be distributed to a minor may establish a custodianship, despite the lack of specific authorization in the governing will or trust, so long as three criteria are met. As outlined below, the requirements imposed by these three criteria are stringent.

1. The fiduciary must have a good faith belief that the custodial transfer is in the best interests of the child.

2. The custodial transfer must not be prohibited by or inconsistent with the provisions of the applicable will, trust, or other instrument. A spendthrift clause is an example of an inconsistent provision of a trust. Since a spendthrift clause is almost always included in a trust, the utility of this section of UTMA in regard to trusts may be limited. Provisions terminating the governing trust at a time other than the age of majority and provisions for mandatory distributions of income and principal at specific times or at periodic intervals are also examples of inconsistent provisions. Provisions for other outright distributions or bequests, however, would not be inconsistent with the creation of a custodianship.

3. The amount of the property transferred without express authority in the governing instrument must be less than \$10,000. Any transfers greater than this amount must be authorized by the court. The comment to this section indicates that since a custodianship created without express authority in a governing instrument is similar to a conservatorship (or guardianship), this type of custodianship will terminate when the minor reaches the statutory age of majority of the applicable state, despite UTMA's general provision that the age of majority is 21.

*Revocable nomination of a future custodian.* Under Section 3(a) of UTMA, a transferor may revocably nominate a custodian to receive property for a minor beneficiary upon the occurrence of a future event. The nomination may be made not only in a will or a trust but also, as noted in the comment, through the exercise of a power of appointment, or as a beneficiary of a life insurance policy, an annuity contract, a payable-on-death (P.O.D.) account, a benefit plan, or any other similar future payment plan.

Nomination of a future custodian creates neither a custodial transfer nor custodial property. Rather, the custodianship arises only when the transferor dies or when the actual transfer to the custodian occurs. Furthermore, if the event giving rise to the transfer has not yet occurred, the transferor may also nominate contingent or successive future custodians to serve if the first custodian dies, resigns, or is otherwise unable to serve. Once the future event has occurred, the transferor or the custodian may appoint a successor custodian. Under UGMA, a custodian could appoint only an adult member of the minor's family, his conservator (or guardian) or a trust company as a successor custodian, whereas under Section 12(b) of UTMA any adult or trust company may be appointed.

*Transfer from third parties obligated to the minor.* Section 7 of UTMA authorizes transfers to a custodian from persons other than the transferor who are obligated to the minor. The comment includes the following examples of sources from which a custodian may receive money for the minor: a tort judgment owed to a minor; a bank holding a joint or P.O.D. account of which the minor is the survivor; or an insurance company holding a life insurance policy or benefit plan proceeds payable to the minor. If the custodian for the particular property involved has already been appointed, the transfer must be made to that person. On the other hand, if a custodian has not been nominated, or if the custodian dies or is unable to serve, then the transfer may be made to an adult member of the minor's family or to a trust company unless the property exceeds \$10,000, in which case no transfer can be made. This type of custodianship also terminates when the minor reaches the statutory age of majority in the applicable state.

*Other consequences*

*Effect on UGMA and other transfers.* Section 21 of UTMA validates transfers made prior to its effective date under UGMA, as well as transfers made after its effective date which mistakenly refer to UGMA rather than UTMA. Furthermore, UTMA validates transfers which were not authorized under UGMA

but which are now authorized under the UTMA.

**Scope and jurisdiction.** The scope of UTMA as set forth in Section 2 and the related comment includes transfers of any property which refer to UTMA in the governing instrument so long as either the transferor, the minor, or the custodian is a resident of a state which has adopted UTMA, or the custodial property is in that state. The custodianship will survive even if the transferor, minor, or custodian subsequently changes his place of residence or the custodial property is removed from the state. Moreover, the custodian is subject to personal jurisdiction within that state with respect to any matter concerning the custodianship.

**Standard of care for investments.** Section 12 of UTMA raises the standard of care for the custodian from that contained in UGMA, which requires the fiduciary only to meet the standard of one "who is seeking a reasonable income in the preservation of his capital." Under UTMA, the custodian must meet the higher standard of a "prudent person dealing with the property of another." There is also a slightly higher standard for the professional fiduciary. Such a custodian must exercise any special skill or expertise which it possesses or has represented that it possesses. As noted in the comment, UTMA's rule parallels the standard set forth in the Uniform Probate Code, and cases decided under it.

**Support of the minor.** Under Section 4(b) of UGMA, custodial property could be expended "for the support, maintenance, education, and benefit of the minor." Under UTMA Section 14, however, custodial property may be expended "for the use and benefit of the minor." The comment indicates that the language in this provision of UTMA was

changed to avoid the implication that custodial property could be used *only* for the required support of the minor. Thus, it appears that the potential uses of custodial property have been expanded. However, UTMA states that any use of custodial property for the minor is in addition to, not a substitute for, support obligations. This is consistent with various state courts, which have held that a parent-custodian may not spend a minor's custodial property to relieve the parent of any support obligation.<sup>5</sup>

The broad permissible use of custodial funds as set forth in UTMA seems to relieve the parent-custodian or third-party custodian who spends custodial funds for the child's support of any liability for breach of his or her fiduciary duty even if a parent has the legal obligation of support. However, the interrelationship of the provisions regarding permissible uses and use for support is far from clear. The comment indicates that the purpose of stating that the use of funds is in addition to and not in lieu of any individual's support obligation was aimed at avoiding adverse income tax consequences to the parent-donor. The provision actually creates confusion as to the appropriate source for payment of college education expenses in those states where the parent's obligation continues through college, if a parent is legally obligated to pay for his or her child's college education.<sup>6</sup> Since custodial accounts are often created for the sole purpose of saving for a child's college education, it would appear as though the confusion in interpreting this section of UTMA may render the use of custodial accounts inappropriate for one of their primary purposes. While the support obligation issue is most likely to arise in divorce or separation proceedings (which is the context in which the cases involving the support obligation and college education have arisen), many families may continue to rely on custodial funds for college education on the assumption that no one is likely to question the custodian's use of custodial funds to pay for college expenses in a cohesive family situation. Nonetheless, this provision of the statute is one which the legislatures of states adopting UTMA may consider revising. In addition, the National Conference on Uniform Laws should address this issue in any future revision of UTMA.

**Age of majority.** Although some states revised the UGMA provision to age 18, Section 20 of UTMA retains the age of 21 as the age at which the custodianship terminates and the property is distributed (except as noted above). The practitioner should verify the applicable age in each case.

**Limited liability.** Two provisions of UTMA, one allowing the custodian to purchase liability insurance under Section 13(a) and another limiting third-party claims against the minor or custodian under Section 17, were enacted, according to the comments, in re-

*JAMES R. LEDWITH is a partner in the Philadelphia law firm of Pepper, Hamilton & Scheetz, and chairman of its estates department. He is chairman of the committee on administration of estates of the ABA's Real Property, Probate and Trust Law Section and past chairman of the similar sections of both the Pennsylvania and Philadelphia Bar Associations. Mr. Ledwith is currently president of the Philadelphia Bar Institute, vice-president of the National Association of Estate Planning Councils, and a Fellow and state chairman of the American College of Probate Counsel. He has previously written for ESTATE PLANNING. MARY ANN ROBINSON is an associate in Pepper, Hamilton & Scheetz. The authors gratefully acknowledge the assistance of Winona Brinn, a student at Temple University School of Law, in the preparation of this article.*

transfers should be made to another person who will serve as the custodian for the minor.

### Conclusion

The National Conference on Uniform Laws enacted UTMA in order to provide a simple and affordable method of transferring funds to minors and to deter the growing conflicts of laws among the states in this area of law. UTMA expands the general principles of UGMA by allowing any type of custodial property and by providing greater flexibility in the formation procedures of custodianships. It is likely that UTMA will continue to serve as an important tax savings device despite any currently proposed tax reform. Estate planners, however, should inform clients of the need to separate parental-source income from qualified segregated assets and should proceed with caution in establishing custodianships of parental funds until the effect of any revised tax laws on UTMA is clearly established.

## IRS eases up on redemptions to pay deferred estate tax

THE SERVICE has liberalized its approach to the interaction of the installment payment rules for estate taxes under Section 6166 and the redemption of stock under Section 303 to pay estate taxes, in *Rev. Rul. 86-54*, IRB 1986-15, 44. As a result of the Ruling, it is less likely that an estate tax redemption will accelerate the balance of the deferred estate tax.

Generally, under Section 6166(g)(1)(A) an estate may continue to pay the tax in installments only if the dispositions of its interest in a closely held business and withdrawals of money or other property from the business do not exceed 50% of the value of the decedent's interest in that business. (See, for example, *Estate tax deferral not affected by value changes*, 13 EP 104 (March/April 1986).) Under Section 6166(g)(1)(B), however, a redemption under Section 303 will not be a disposition or withdrawal to the extent the redemption does not exceed the amount of the taxes paid during the applicable period.

This exception applies only if, by the date for the first installment of tax due after the distribution (or, if earlier, on or before the day which is one year after the date of the distribution), an estate tax payment is made that is at least equal to the total amount of money and other property distributed in the Section 303 redemption. (For Section 6166 purposes, payment of interest on the deferred estate tax qualifies as a payment of estate tax.)

In *Rev. Rul. 72-188*, 1972-1 CB 383, a cumulative approach in applying Section 6166(g)(1)(B) was adopted. This method requires a comparison of the cumulative estate tax payments with the cumulative Section 303 redemptions. The amount by which the cumulative redemptions exceed the cumulative estate tax payments is not within the exception. Thus, for example, if the first two of a series of redemptions were in the amounts of \$100 each and \$150 had been paid as estate tax by the time of the second redemption, only \$150 of the \$200 redeemed would come within the Section 6166(g)(1)(B) exception.

In *Rev. Rul. 86-54*, the Service says that either the cumulative approach or a redemption-by-redemption approach can be used in determining whether the requirements of the Section 6166(g)(1)(B) exception have been met. The redemption-by-redemption approach treats each redemption separately, and the failure of one to qualify does not necessarily mean that a later redemption will not qualify. Furthermore, a Section 303 redemption will come within the exception if after the redemption, but on or before the next due date of an installment, an estate tax payment is made that is not less than the amount of money or property distributed in that redemption. Thus, in the example given in the Ruling, a redemption in the amount of \$26 qualified for the exception because an interest payment of \$28 was made on the same day, even though the cumulative redemption amount at the time of the redemption was \$806 while the cumulative estate tax payments were only \$522.

The two methods—cumulative and redemption-by-redemption—can be used interchangeably, in light of the Service's recognition that Congress intended to aid taxpayers in keeping together a business enterprise after the death of an owner results in Federal estate taxes. Because the relevant parts of the acceleration rules have not changed, the IRS indicated that *Rev. Rul. 86-54* will apply to all versions of Section 6166 and former Section 6166A.

## Casualty loss includes reduction in market value

A PERMANENT decline in market value due to buyer resistance is includable in the amount of a casualty loss deduction, the Eleventh Circuit held in *Finkbohner, Jr.*, 86-1 USTC ¶9393, 57 AFTR2d 86-1400 (CA-11, 1986). There, the court refused to follow the prevailing view in two other circuits which limits the deduction to actual physical loss.

In general, under Section 165(c)(3), the amount of the casualty loss is the difference between the property's fair market value before and after the disaster.

**GEORGE A. DICKSON**  
ATTORNEY AT LAW  
1009 WEST 7TH AVENUE  
ANCHORAGE, ALASKA 99501

GEORGE A. DICKSON  
WARREN D. WESTFALL

TELEPHONE  
AREA CODE 907  
276-7887

August 20, 1987

Representative John Sund  
Chairman of the House Judiciary Committee  
P.O. Box V  
Juneau, Alaska 99811

ATTN: John Hartle  
Chief of Staff

Dear Representative Sund:

The Uniform Transfers to Minors Act will be a very important piece of legislation for those Alaskans who wish to set aside money or property to fund their children's college education without the monetary expense of setting up a trust. This will be a very cost effective piece of legislation allowing much greater freedom to the custodian to use property for the beneficiary. The major reasons for this can be summarized as follows:

1. The front end cost of setting up an alternative method of administration (such as a trust) of \$1,000.00 to \$2,000.00 is completely avoided;
2. The custodianship is not a separate tax paying entity so the yearly cost of preparing a separate tax return is avoided;
3. A custodian would be able to use custodial property for the beneficiary with much greater freedom and less expense than a trustee of a trust.

This legislation would benefit from having hearings during the fall because:

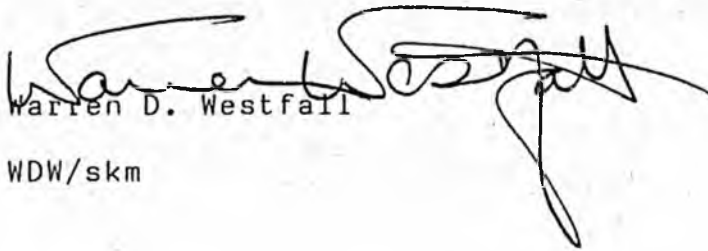
1. The ability of the legislature to retroactively apply this legislation to custodial accounts in existence prior to the passage of any legislation has been raised as an issue and should be fully explored;
2. The provisions of Section 20.5 regarding salary of termination are perhaps the most controversial and the most significant. To prevent a major breakdown or piecemeal amendment of this legislation those parties who have an interest in seeing this legislation passed would benefit greatly by discussing, and having a full understanding of, the reasons and effect of the delay provisions of Section 20.5 prior to this legislation's introduction in the next legislative session. Hearings would provide a opportunity for a consensus to be formed by those

Rep. John Sund Letter  
August 20, 1987  
Page Two

legislators most interested in the legislation based on informed discussion with private attorneys who are also working on this legislation.

I would ask that hearings not be scheduled in Anchorage during the month of October as several of the attorneys primarily interested in this legislation have vacations planned during that month.

Very truly yours,

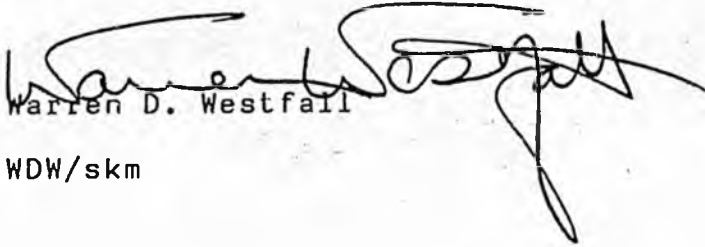
  
Warren D. Westfall

WDW/skm

legislators most interested in the legislation based on informed discussion with private attorneys who are also working on this legislation.

I would ask that hearings not be scheduled in Anchorage during the month of October as several of the attorneys primarily interested in this legislation have vacations planned during that month.

Very truly yours,

  
Warren D. Westfall

WDW/skm

- Uniform Act - by Uniform Commissioners
- Rewrites + Clarifies Present Law
- Custodianship - has advantages over trust
  - Front end cost avoided
  - NOT separate tax entity
- Allows any type of property
- Flexibility
- Allows custodianship to be extended until ~~age 25~~ ~~present~~ beneficiary is age 25
  - Present law age 18 maximum

March 23, 1987

Representative Max Gruenberg  
Pouch V  
Juneau, Alaska 99811

Re: Alaska Uniform Transfers to Minors Act

Dear Representative Gruenberg:

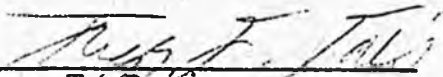
As we have discussed, enclosed please find a draft of a proposed "Alaska Uniform Transfers to Minors Act" (AUTMA). The proposed AUTMA revises and updates the Alaska Uniform Gifts to Minors Act (AUGMA); making it a more flexible and, therefore, a more useful tool for transferring assets to minors. The undersigned estate planning attorneys would like to recommend the adoption of the proposed AUTMA by the Alaska Legislature.

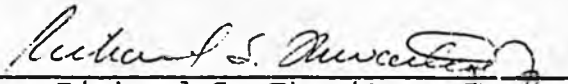
Current Alaska law limits the types of property which may be transferred into a custodial account, and further limits the age that the custodial property may be distributed to the minor to a maximum age of 18. Current Alaska law also limits a custodial transfer to a transfer by gift.

The proposed AUTMA allows virtually every type of property to be transferred into a custodial account for a minor's benefit. The proposed AUTMA also adds flexibility to the current law by making it possible to delay the distribution of the custodial property until the minor reaches age 25. Most transferors feel that age 18 is too young for the minor to receive a substantial sum of money or other property. Delaying the distribution of custodial property until age 25 allows the minor to mature and provides a mechanism for the transferor to fund a college education for the minor. Finally, the proposed AUTMA makes it possible to transfer property through several types of transfers, including transfers through trusts, estates, guardianships, and from third parties indebted to a minor.

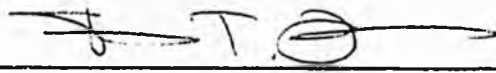
Representative Max Gruenberg  
March 23, 1987  
Page 2

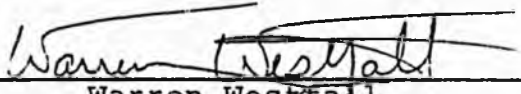
All of these provisions make the proposed AUTMA a much needed change in Alaska law--a change that will bring Alaska into the current mainstream of estate planning in the area of transferring property to minors.

  
\_\_\_\_\_  
Trigg T. Davis

  
\_\_\_\_\_  
Richard S. Thwaites, Jr.

  
\_\_\_\_\_  
Robin O. Brena

  
\_\_\_\_\_  
Steven T. O'Hara

  
\_\_\_\_\_  
Warren Westfall

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

INTER-AGENCY ROUTING SLIP

POUCH Y, STATE CAPITOL  
JUNEAU, ALASKA 99811  
465-3800

TO John Hartsle

REMARKS: *Attached is your copy of the U.T.M.A.  
Thank you.*

FROM George Uttermohle DATE 11/6/87

Return to  
Rep. Sund  
Attn: John  
Hartle

Proposed

Alaska Uniform Transfers to Minors Act

Complete with Preface  
and Legislative History

March, 1987

## Preface

The Uniform Transfers to Minors Act (Act) revises and restates the Uniform Gifts to Minors Act (UGMA), one of the National Conference of Commissioners on Uniform State Laws most successful products, some version of which has been enacted in every American jurisdiction.

The original version of UGMA was adopted by the Conference in 1956 and closely followed a model "Act concerning Gifts of Securities to Minors" which was sponsored by the New York Stock Exchange and the Association of Stock Exchange Firms and which had been adopted in 14 states. The 1956 version of UGMA broadened the model act to cover gifts of money as well as securities but made few other changes.

In 1956 and 1966 the Conference revised UGMA to expand the types of financial institutions which could serve as depositories of custodial funds, to facilitate the designation of successor custodians, and to add life insurance policies and annuity contracts to the types of property (cash and securities) that could be made the subject of a gift under the Act.

Alaska adopted the 1966 version of the UGMA in 1967. Many states which adopted the 1956 or 1966 version of the UGMA, have substantially revised their versions of UGMA to expand the kinds of property that may be made the subject of a gift under the Act. A few states permit transfers to custodians from other sources, such as trusts and estates, as well as from lifetime gifts. Some states also permit the transferor to have an option to extend the date the custodial property may be distributed to the minor. As a result, a great deal of non-uniformity has arisen among the states. Uniformity in this area is important, for the Conference has cited UGMA as an example of an act designed to avoid conflicts of law when the laws of more than one state may apply to a transaction or a series of transactions.

This Act follows the expansive approach taken by several states and allows any kind of property, real or personal, tangible or intangible, to be made the subject of a transfer to a custodian for the benefit of a minor (SECTION 1(6)). In

addition, it permits such transfers not only by lifetime outright gifts (SECTION 4), but also from trusts, estates and guardianships, whether or not specifically authorized in the governing instrument (SECTIONS 5 and 6), and from other third parties indebted to a minor who does not have a conservator, such as parties against whom a minor has a tort claim or judgment, and depository institutions holding deposits or insurance companies issuing policies payable on death to a minor (SECTION 7). For this reason, and to distinguish the enactment of this statute from the 1956 and 1966 versions of UGMA, the title of this Act has been changed to refer to "Transfers" rather than to "Gifts," a much narrower term. Moreover, this Act permits the transferor or the minor to have an option to extend beyond the age of minority the date the custodial property may be distributed to the minor (SECTION 20.5).

As so expanded, this Act might be considered a statutory form of trust or guardianship that may terminate at age 18 or, if the transferor or minor so elects, may be terminated at any age prior to age 25. Note, however, that unlike a trust, a custodianship is not a separate legal entity or taxpayer. Under SECTION 11(b) of this Act, the custodial property is indefeasibly vested in the minor, not the custodian, and thus any income received is attributable to and reportable by the minor, whether or not actually distributed to the minor.

The expansion of this Act to permit transfers of any kind of property to a custodian creates a significant problem of potential personal liability for the minor or the custodian arising from the ownership of property such as real estate, automobiles, general partnership interests, and business proprietorships. This problem did not exist under UGMA under which custodial property was limited to bank deposits, securities and insurance. In response, SECTION 17 of this Act generally limits the claims of third parties to recourse against the custodial property, with the minor insulated against personal liability unless he is personally at fault. The custodian is similarly insulated unless he is personally at

fault or fails to disclose his custodial capacity upon entering into a contract.

Nevertheless, this Act should be used with caution with respect to property such as real estate or general partnership interests from which liabilities as well as benefits may arise. Many of the possible risks can and should be insured against, and the custodian has the power under SECTION 13(a) to purchase such insurance, at least when other custodial assets are sufficient to do so. If the assets are not sufficient, there is doubt that a custodian will act, or there are significant uninsurable risks, a transferor should consider a trust with spendthrift provisions, such as a minority trust under Section 2503(c), IRC, rather than a custodianship, to make a gift of such property to a minor.

Finally, this Act restates and rearranges, rather than amends, the 1966 Act. The addition of other forms of property and other forms of dispositions made adherence to the format and language of the prior act very unwieldy. In addition, the 1966 Act closely followed the language of the earlier model act, which had already been adopted in several states, even though it did not conform to Conference style. It is hoped that this rewriting and revision of UGMA will improve its clarity while also expanding its coverage.

UNIFORM TRANSFERS TO MINORS ACT

Section.

1. Definitions.
2. Scope and Jurisdiction.
3. Nomination of Custodian.
4. Transfer by Gift or Exercise of Power of Appointment.
5. Transfer Authorized by Will or Trust.
6. Other Transfer by Fiduciary.
7. Transfer by Obligor.
8. Receipt for Custodial Property.
9. Manner of Creating Custodial Property and Effecting Transfer; Designation of Initial Custodian; Control.
10. Single Custodianship.
11. Validity and Effect of Transfer.
12. Care of Custodial Property.
13. Powers of Custodian.
14. Use of Custodial Property.
15. Custodian's Expenses, Compensation and Bond.
16. Exemption of Third Person from Liability.
17. Liability to Third Persons.
18. Renunciation, Resignation, Death, or Removal of Custodian; Designation of Successor Custodian.
19. Accounting by and Determination of Liability of Custodian.
20. Termination of Custodianship.
- 20.5. Delay in Transfer of Custodial Property After Minor Attains Age Eighteen.
21. Applicability.
22. Effect on Existing Custodianships.
23. Uniformity of Application and Construction.
24. Short Title.
25. Severability.
26. Effective Date.
27. Repeals.

§ 1. Definitions

In this [Act]:

(1) "Adult" means an individual who has attained the age of 18 years.

(2) "Benefit plan" means an employer's plan for the benefit of an employee or partner.

(3) "Broker" means a person lawfully engaged in the business of effecting transactions in securities or commodities for the person's own account or for the account of others.

(4) "Conservator" means a person appointed or qualified by a court to act as general, limited, or temporary guardian of a minor's property or a person legally authorized to perform substantially the same functions.

(5) "Court" means Superior Court.

(6) "Custodial property" means (i) any interest in property transferred to a custodian under this Act and (ii) the income from and proceeds of that interest in property.

(7) "Custodian" means a person so designated under Section 9 or a successor or substitute custodian designated under Section 18.

(8) "Financial institution" means a bank, trust company, savings institution, or credit union, chartered and supervised under state or federal law.

(9) "Legal representative" means an individual's personal representative or conservator.

(10) "Member of the minor's family" means the minor's parent, stepparent, spouse, grandparent, brother, sister, uncle, or aunt, whether of the whole or half blood or by adoption.

(11) "Minor" means:

(a) Except as provided in paragraph (b) an individual who has not attained the age of 18 years.

(b) When used with reference to the beneficiary for whose benefit custodial property is held or is to be held, an individual who has not attained the age at which the custodian is required under Sections 20 and 20.5 to transfer the custodial property to the beneficiary.

(12) "Person" means an individual, corporation, organization, or other legal entity.

(13) "Personal representative" means an executor, administrator, successor personal representative, or special administrator of a decedent's estate or a person legally authorized to perform substantially the same functions.

(14) "State" includes any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession subject to the legislative authority of the United States.

(15) "Transfer" means a transaction that creates custodial property under Section 9.

(16) "Transferor" means a person who makes a transfer under this Act.

(17) "Trust company" means a financial institution, corporation, or other legal entity, authorized to exercise general trust powers.

#### COMMENT

To reflect the broader scope and the unlimited types of property to which the new Act will apply, a number of definitional changes have been made from the 1966 Act. In addition, several definitions specifically applicable to the limited types of property (cash, securities and insurance policies) subject to the 1966 Act have been eliminated as unnecessary. These include the definitions of "bank," "issuer," "life insurance policy or annuity contract," "security," and "transfer agent." No change in the meaning or construction of these terms as used in this Act is intended by such deletions.

The definitions of "domestic financial institution" and "insured financial institution" have been eliminated because few if any states limit deposits by custodians to local institutions, and the prudent person rule of SECTION 12(b) of this Act may dictate the use of insured institutions as depositories, without having the Act so specify.

The principal changes or additions to the remaining definitions are discussed below.

Paragraph (2). The definition of "benefit plan" is intentionally very broad and is meant to cover any contract, plan, system, account or trust such as a pension plan, retirement plan, death benefit plan, deferred compensation plan, employment agency arrangement or, stock bonus, option or profit sharing plan.

Paragraph (4). The term "conservator" rather than "guardian of the estate" has been employed in the Act to conform to Uniform Probate Code terminology, AS 13.06.005 - 13.36.300. The term includes a guardian of the minor's property, whether general, limited or temporary, and includes a committee, tutor, or curator of the minor's property.

Paragraph (6). The definition of "custodial property" has been generalized and expanded to encompass every conceivable legal or equitable interest in property of any kind, including real estate and tangible or intangible personal property. The term is intended, for example, to include joint interests with right of survivorship, beneficial interests in land trusts, as well as all other intangible interests in property. Contingent or expectancy interests such as the designation as a beneficiary under insurance policies or benefit plans become "custodial property" only if the designation is irrevocable, or when it becomes so, but the Act specifically authorizes the "nomination" of a future custodian as beneficiary of such interests (see SECTION 3). Proceeds of custodial property, both immediate and remote, are themselves custodial property, as is the case under UGMA.

Custodial property is defined without reference to the physical location of the property, even if it has one. No, useful purpose would be served by restricting the application of the Act to, for example, real estate "located in this state," since a conveyance recorded in the state of the property's location, if done with proper formalities, should be effective even if that state has not enacted this