

FINAL BILL REPORT

SSB 5100

C 18 L 97

Synopsis as Enacted

Brief Description: Allowing qualified trusts to hold shares in professional service corporations.

Sponsors: Senate Committee on Law & Justice (originally sponsored by Senators Oke and Strannigan).

Senate Committee on Law & Justice

House Committee on Law & Justice

Background: Federal income and estate tax laws allow a person to put assets in a charitable remainder trust (CRT). A charitable remainder trust provides income each year to the creator of the trust and any monies remaining in the trust at the death of the trust's creator are given to the designated charity. The primary benefit of such a trust is that it allows a person to put an asset (usually an asset that has significantly appreciated in value) into the trust and, upon sale of the asset by the trust, the creator receives an income amount each year, while at the same time avoiding the payment of any capital gains tax.

At the present time all shareholders in a professional service corporation must be licensed members in the same profession (i.e. doctors, lawyers, accountants). This requirement precludes shareholders of a professional service corporation from taking advantage of the federal charitable remainder trust laws.

Summary: Shareholders of professional service corporations are allowed to transfer their shares to a qualified charitable trust.

Votes on Final Passage:

Senate	45	3
House	97	0

Effective: July 27, 1997