

Approved: _____
Date 2-16-95

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Garry Boston at 1:30 p.m. on February 2, 1995 in Room 526-S of the Capitol.

All members were present except: Representative Douglass Lawrence, Excused
Representative Greg Packer, Absent
Representative L. Candy Ruff, Excused
Representative Jene Vickrey, Absent

Committee staff present: Mary Galligan, Legislative Research Department
Lynne Holt, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes
June Evans, Committee Secretary

Conferees appearing before the committee: Eric L. Hanson, Attorney, Prairie Village
John Hartman, Trust Officer, Bank IV

Others attending:

HB 2146 - Lottery prize winner allowed to designate trust to receive prize money.

The Chairperson opened the hearing on **HB 2146**.

Eric L. Hanson, Attorney, Prairie Village, testified as a proponent for **HB 2146**, stating his practice is dedicated to estate planning and taxation areas and supports the changes in **HB 2146**. The proposal allows distributions to a beneficiary to escape probate court administration. The negative aspects to a lottery winner's estate of being subjected to such administration include the following: (a) Court costs and legal fees of probate administration (b) Time delays necessitated by probate administration and (c) Loss of privacy to estate heirs and beneficiaries due to the public nature of probate court records. (See Attachment #1)

The Chairperson asked Mr. Hanson to mail a copy of his testimony. (Copy received 2-6-95)

John Hartman, Trust Officer, Bank IV, testified in support of **HB 2146**, stating the winners and the Lottery would both benefit from this legislation. The winners checks could be made payable to the Trust and mailed directly to the Trustee. Trustees must manage trust property in accordance with the Prudent Investment Rule, which included doing so in a timely manner. Trust assets could continue to be managed by the Trustee even after the death of the person who created the trust. Assets properly titled in a Living Trust do not usually have to be through the probate process. This avoid the publicity, time delays, and costs normally associated with probate.

The benefits to the lottery are: safety, checks could be made payable to the trust and mailed directly to the trustee, the trustee's address may not be as likely to change as the lottery winner's address, if a lottery winner dies before having received all payments, the lottery could continue to make payments to the trust and not have to be involved with the winner's estate. (See Attachment #2)

After discussion, the Chairperson stated that next week's meetings are mostly on call, but the Agenda could be revised, and **HB 2146** will probably be worked next Tuesday, February 8.

The Chairperson asked the members to review of the minutes and Representative Adkins moved and Representatives Cox seconded the minutes of January 19, 24, 25, 26, 30 and 31 be approved. The motion carried.

The meeting adjourned at 2:00 p.m. The next meeting will be February 7, 1995.

HOLMAN MCCOLLUM & HANSEN, P.C.

Testimony in Support of House Bill No. 2146

I speak in support of the proposed amendment to K.S.A. 74-8720, Section 1(b)(1) for the following reasons:

1. The proposal allows distributions to a beneficiary to escape probate court administration. The negative aspects to a lottery winner's estate of being subjected to such administration include the following:
 - (a) Court costs and legal fees of probate administration.
 - (b) Time delays necessitated by probate administration.
 - (c) Loss of privacy to estate heirs and beneficiaries due to the public nature of probate court records.
2. Further, I support House Bill No. 2146 as it will have no negative impact on the revenues of the State of Kansas or the Internal Revenue Service.

I would also like to propose a brief addition to K.S.A. 74-8720, Section 1(b)(2). The addition would cause that subsection to read as follows:

The prize of a deceased winner shall be paid to the duly-appointed representative of the estate of such winner, or to such other person or persons appearing to be legally entitled thereto, *or to the trustee of such deceased winner's revocable or irrevocable trust, as designated by such deceased winner.*

My purpose in proposing such amendment to K.S.A. 74-8720 is to insure that payments made after death of a lottery winner will receive the same confidentiality as those made prior to such winner's death. Adding the proposed clause to Section 1(b)(2) of K.S.A. 74-8720 will have the same positive effect as specified above stated in support of House Bill No. 2146. Further, this proposed amendment will, again, have no negative impact on the revenues collected by the Kansas Department of Revenue or the Internal Revenue Service.

The above written comments are consistent with and in support of my testimony given February 2, 1995.

Respectfully submitted,



Eric L. Hansen

ELH:sa

HOUSE BILL NO. 2146

Definition and Types of Trusts

A relationship in which one person or institution (the trustee) holds legal title to property subject to the terms of a legal document (trust agreement) for the benefit of those persons or institutions for whom the trust was created (the beneficiaries).

Living trusts are those established while the creator of the trust is alive. The two general types of living trusts are Revocable and Irrevocable. Such trusts may be used for beneficiary designations on life insurance policies, bank accounts and certificates of deposit.

Benefits to Lottery Winners

1. Safety - Checks can be made payable to the Trust and mailed directly to the Trustee.
2. Investment - Trustees must manage trust property in accordance with the PRUDENT RULE, which includes doing so in a timely manner.
3. Continuity - Trust assets can continue to be managed by the Trustee even after the death of the person who created the trust. Depending on the terms of the trust agreement, the trust may continue for the lifetime of a surviving spouse, until children or grandchildren reach specified ages, or in perpetuity for charitable or educational institutions.
4. Probate - Assets properly titled in a Living Trust do not usually have to go through the probate process. This avoids the publicity, time delays, and costs normally associated with probate.

Benefits to the Lottery

1. Safety - Checks can be made payable to the trust and mailed directly to the trustee.
2. Simplicity - The Trustee's address may not be as likely to change as the lottery winner's address.
3. Continuity - If a lottery winner dies before having received all payments, the lottery can continue to make payments to the trust and not have to be involved with the winner's estate.