F I S C A L   I M P A C T   R E P O R T

SPONSOR: Griego

DATE TYPED: 03/04/01

HB

SHORT TITLE: Repeal Statutory Rule Against Perpetuities

SB 424

ANALYST: Rael

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	**FY02**			
		NFI		

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

   Synopsis of Bill

The Repeal Statutory Rule Against Perpetuities will repeal the rule that an interest (which could be property or a trust) must vest (create absolute ownership) or terminate within 21 years after the death of an individual that is alive at the time the interest was created or within 90 years of its creation.

   Significant Issues

It would allow large sums of wealth to be held in trust indefinitely.

FISCAL IMPLICATIONS

It is possible that the repeal of the rule against perpetuities will attract a larger number of wealthy people creating trusts by will to be administered in New Mexico. This could also attract greater trust bank business to the state. It is not likely to have a palpable fiscal impact on revenues to the state at this time.

OTHER SUBSTANTIVE ISSUES

Since this particular repeal only applies to the Probate Code, it only applies to intestate succession and wills. It would not, for example, apply to trusts created during a person's lifetime.

The rule against perpetuities was used to prevent the creation of what are known as "dynasty trusts." These kinds of trusts would make it possible for a person to keep his wealth in the family for many years beyond the person's death.

FAR/njw:ar