

PROBATE MODIFICATIONS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Brady Brammer

Senate Sponsor: _____

LONG TITLE

General Description:

This bill addresses probate provisions.

Highlighted Provisions:

This bill:

- ▶ addresses when certain nonvested property interests or powers of appointment are created;
- ▶ permits a court in an action related to the administration of an estate to award costs and expenses, including reasonable attorney fees, to any party to be paid by another party or from the estate that is the subject of the controversy;
- ▶ addresses when a creditor of a settlor may not satisfy the creditor's claim from an irrevocable trust; and
- ▶ make technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

75-2-1204, as last amended by Laws of Utah 2013, Chapter 364

75-3-719, as last amended by Laws of Utah 2012, Chapter 274



28 75-7-505, as last amended by Laws of Utah 2017, Chapters 125, 204



30 *Be it enacted by the Legislature of the state of Utah:*

31 Section 1. Section **75-2-1204** is amended to read:

32 **75-2-1204. When nonvested property interest or power of appointment created.**

33 (1) Except as [~~provided in Subsections (2) and (3) and in~~] otherwise provided in this
34 section or Section 75-2-1207, the time of creation of a nonvested property interest or a power
35 of appointment is determined under general principles of property law.

36 (2) For purposes of this part, if there is a person who alone can exercise a power
37 created by a governing instrument to become the unqualified beneficial owner of:

38 (a) a nonvested property interest; or

39 (b) a property interest subject to a power of appointment described in Section
40 75-2-1203, the nonvested property interest or power of appointment is created when the power
41 to become the unqualified beneficial owner terminates.

42 (3) For purposes of this title, a nonvested property interest or a power of appointment
43 arising from a transfer of property to a previously funded trust or other existing property
44 arrangement is created when the nonvested property interest or power of appointment in the
45 original contribution was created.

46 (4) A person who exercises an initial power of appointment may provide in the
47 exercise of that power of appointment:

48 (a) for a nonvested property interest that is considered:

49 (i) created when the initial power is irrevocably exercised or when a revocable
50 exercise becomes irrevocable; and

51 (ii) not created at the time of the creation of the initial power of appointment that is
52 exercised; and

53 (b) for a further power of appointment created by the exercise of the initial power of
54 appointment that is considered:

55 (i) created when the initial power is irrevocably exercised or when a revocable exercise
56 becomes irrevocable; and

57 (ii) not created at the time of the creation of the initial power of appointment that is
58 exercised.

59 Section 2. Section **75-3-719** is amended to read:

60 **75-3-719. Costs and expenses in estate litigation.**

61 (1) In a judicial proceeding involving the administration of an estate, the court may, as
62 justice and equity may require, award costs and expenses, including reasonable attorney fees, to
63 any party to be paid by another party or from the estate that is the subject of the controversy.

64 (2) If any personal representative or person nominated as personal representative
65 defends or prosecutes any proceeding in good faith, whether successful or not, the personal
66 representative is entitled to receive from the estate [aH] the necessary expenses and
67 disbursements, including reasonable attorney fees incurred. This [provision] Subsection (2)
68 expressly applies in a will contest to any person nominated as a personal representative in a
69 testamentary instrument submitted in good faith.

70 Section 3. Section **75-7-505** is amended to read:

71 **75-7-505. Creditor's claim against settlor.**

72 ~~[Whether or not]~~ Regardless of whether the terms of a trust contain a spendthrift
73 provision, the following rules apply:

74 (1) During the lifetime of the settlor, the property of a revocable trust is subject to the
75 claims of the settlor's creditors. If a revocable trust has more than one settlor, the amount the
76 creditor or assignee of a particular settlor may reach may not exceed the settlor's interest in the
77 portion of the trust attributable to that settlor's contribution.

78 (2) (a) With respect to an irrevocable trust other than an irrevocable trust that meets the
79 requirements of Section 25-6-502, a creditor or assignee of the settlor may reach the maximum
80 amount that can be distributed to or for the settlor's benefit.

81 (b) ~~[If the trust has]~~ With respect to an irrevocable trust that has more than one settlor,
82 other than an irrevocable trust that meets the requirements of Section 25-6-502, the amount
83 [the] a creditor or assignee of a particular settlor may reach may not exceed the settlor's interest
84 in the portion of the trust attributable to that settlor's contribution.

85 (c) Notwithstanding Subsections (2)(a) and (b), a creditor of a settlor may not satisfy
86 the creditor's claim from an irrevocable trust solely because the trustee may make a
87 discretionary distribution reimbursing the settlor for income tax liability of the settlor
88 attributable to the income of the irrevocable trust, when the distribution is:

89 (i) subject to the discretion of a trustee who is not the settlor;

90 (ii) subject to the consent of an advisor who is not the settlor; or

91 (iii) at the direction of an advisor who is not the settlor.

92 (3) After the death of a settlor, and subject to the settlor's right to direct the source from
93 which liabilities will be paid, the property of a trust that was revocable at the settlor's death, but
94 not property received by the trust as a result of the death of the settlor which is otherwise
95 exempt from the claims of the settlor's creditors, is subject to claims of the settlor's creditors,
96 costs of administration of the settlor's estate, the expenses of the settlor's funeral and disposal
97 of remains, and statutory allowances to a surviving spouse and children to the extent the
98 settlor's probate estate is inadequate to satisfy those claims, costs, expenses, and allowances.