

House Bill 2361

Ordered printed by the Speaker pursuant to House Rule 12.00A (5). Pre-session filed (at the request of House Interim Committee on Judiciary for Oregon State Bar Estate Planning Section)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Modifies Uniform Principal and Income Act. Clarifies that money is received by reason of partial liquidation and allocable to principal if total amount of money and property distributed by entity in distribution or series of related distributions is greater than 20 percent of entity's gross assets.

A BILL FOR AN ACT

1
2 Relating to partial liquidations; amending ORS 129.300.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1.** ORS 129.300 is amended to read:

5 129.300. (1) In this section, "entity" means a corporation, partnership, limited liability company,
6 regulated investment company, real estate investment trust, common trust fund or any other or-
7 ganization in which a trustee has an interest other than a trust or estate to which ORS 129.305
8 applies, a business or activity to which ORS 129.308 applies or an asset-backed security to which
9 ORS 129.385 applies.

10 (2) Except as otherwise provided in this section, a trustee shall allocate to income money re-
11 ceived from an entity.

12 (3) A trustee shall allocate the following receipts from an entity to principal:

13 (a) Property other than money;

14 (b) Money received in one distribution or a series of related distributions in exchange for part
15 or all of a trust's interest in the entity;

16 (c) Money received in total or partial liquidation of the entity; and

17 (d) Money received from an entity that is a regulated investment company or a real estate in-
18 vestment trust if the money distributed is a capital gain dividend for federal income tax purposes.

19 (4) Money is received in partial liquidation:

20 (a) To the extent that the entity, at or near the time of a distribution, indicates that it is a
21 distribution in partial liquidation; or

22 (b) If the total amount of money and property [*received*] **distributed by an entity** in a distrib-
23 ution or series of related distributions is greater than 20 percent of the entity's gross assets, as
24 shown by the entity's year-end financial statements immediately preceding the initial [*receipt*] **dis-**
25 **tribution.**

26 (5) Money is not received in partial liquidation, nor may it be taken into account under sub-
27 section (4)(b) of this section, to the extent that it does not exceed the amount of income tax that a
28 trustee or beneficiary must pay on taxable income of the entity that distributes the money.

29 (6) A trustee may rely upon a statement made by an entity about the source or character of a
30 distribution if the statement is made at or near the time of distribution by the entity's board of di-

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 rectors or other person or group of persons authorized to exercise powers to pay money or transfer
2 property comparable to those of a corporation's board of directors.
3 _____