

State of California



Fair Political Practices Commission

P.O. BOX 807 • SACRAMENTO, 95804 ••• 1100 K STREET BUILDING, SACRAMENTO, 95814

Technical Assistance/Administration	•••	Executive/Legal	•••	Enforcement	•••	Conflict of Interest
(916) 322-5660		322-5901		322-6441		322-6444

February 10, 1978

Michael J. Young
 City Manager
 City of Crescent City
 450 H Street
 Crescent City, CA 95531

78-02-100

Dear Mr. Young:

At its January 26, 1978, meeting, the Fair Political Practices Commission agreed on standards for reporting interests in trusts and authorized the staff to draft a regulation embodying those standards. Until that regulation is adopted, the Commission has allowed the staff to give advice using those standards.

Under those standards, a filer of a Statement of Economic Interests who is a beneficiary of a trust (in which he or she has a 10 percent or greater interest) will have to report the interest in a trust if he or she receives income currently from the trust or if he or she has an irrevocable right to receive income or the principal at a later time. An individual has an irrevocable right to receive income or the principal at a later time, if no one else can change the provision of the trust naming the individual as a beneficiary.^{1/} However, if an individual is named as a future beneficiary under a revocable trust and does not currently receive any income or principal, that individual will not have to report his or her interest in the trust.

Applying these standards to the J. E. Randall Trust, you have a right to receive 25 percent of the principal at a later time, after your mother and aunt die. I am unable to determine from the description of the trust in your August 15, 1977, letter whether your right to receive the principal at a later time is irrevocable. Assuming neither your mother, aunt nor the trustee can change the beneficiaries'

^{1/} Additionally, if the life estate beneficiaries have a virtually unlimited right to invade the principal, an individual will not have an irrevocable right to receive income or principal at a later time.

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right to receive at a later time, you will have a 25 percent interest in the trust which must be reported.

Since you hold a 10 percent or greater interest in a trust, you will be required to disclose the pro rata share of the interests in real property or investments held by the trust, if your pro rata share is \$1,000 or greater and if the investments and interests in real property are in the jurisdiction.^{2/} Government Code Sections 82033-34. Since you stated the J. E. Randall Trust consists of government and corporate securities, I will not describe the reporting of interests in real property. Also since Government Code Section 82034 specifically excludes "any bond or other debt instrument issued by any government or government agency" from the definition of investment, you will not have to report the pro rata share of the trust's government securities as an investment.

Assuming you have an irrevocable right to receive 25 percent of the principal of the trust after the deaths of your mother and aunt, you will have to disclose the pro rata share of the trust's corporate investments which are within the jurisdiction and are valued at \$4,000 or more. Under Government Code Section 87206(a) and (b), the name of the business entity in which the investment is held and a general description of the business activity of the investment would have to be disclosed as well as the filer's pro rata share of the investment. In summary you must report a 25 percent interest in the J. E. Randall Trust as well as any individual investments of \$4,000 or more which do business within the jurisdiction.

You will have to determine which of the trust's investments are valued at \$4,000 and are within the jurisdiction. The value of your interest in the trust can be determined by taking 25 percent of the value of the principal or by subtracting from the principal the actuarial value of any reduction in the principal caused by your mother's and aunt's life estates and report 25 percent of the remainder.

I hope this will be helpful to you. Please feel free to contact me if you have any questions.

Sincerely,

Barbara Campbell

Barbara Campbell
Counsel
Legal Division

BC:plh

^{2/} An investment is "in jurisdiction" if it does business or plans to do business in the jurisdiction or has done business in the jurisdiction in the last two years.