

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee Banking and Insurance

BILL: CS/CS/SB 492

INTRODUCER: Banking and Insurance Committee, Judiciary Committee and Senator Hukill

SUBJECT: Estates

DATE: March 21, 2013 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Shankle	Cibula	JU	Fav/CS
2.	Matiyow	Burgess	BI	Fav/CS
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

CS/CS/SB 492 makes a number of changes to the Florida Probate Code, which the Real Property, Probate, and Trust Law Section of The Florida Bar have recommended. These changes include:

- Retroactively eliminating a requirement that an estate file a tax return for an estate tax when no tax is due.
- Reducing from 5 years to 2 years the time period in which intangible property held in a trust is presumed to be unclaimed property and payable to the Department of Financial Services.
- Providing that a caveator is not required to serve notice on his or herself when he or she submits a petition for administration of an estate.
- Making void, with certain exceptions, any gift received by a lawyer, or a relative of the lawyer, from a written instrument that the lawyer prepared.
- Requiring that a clerk of court, upon receipt of a will, keep the will in its original form for 20 years.
- Expanding the long-arm jurisdiction of Florida Courts to adjudicate trust disputes.
- Removing conflicts between the Florida Statutes and the Florida Rules of Civil Procedure pertaining to *forum non conveniens*.

- Requiring that a trustee provide a trust accounting to beneficiaries at least once a year.

This bill substantially amends the following sections of the Florida Statutes: 198.13, 717.101, 717.112, 731.110, 732.703, 732.901, 736.0103, 736.0202, 736.0813, 607.0802, 731.201, 733.212, 736.0802, 736.08125, and 738.104.

This bill creates the following sections of the Florida Statutes: 717.1125, 732.806, and 736.02025.

This bill repeals the following sections of the Florida Statutes: 736.0205 and 736.0807(4).

II. Present Situation:

Estate Taxes

Under the American Taxpayer Relief Act of 2012, the Internal Revenue Code does not provide a federal tax credit for the amount an individual pays in state death taxes or state generation-skipping taxes.¹ Under the Florida Constitution, the state may not tax estates in excess of the amount of federal credit provided by the Internal Revenue Code.² Because federal law does not authorize federal credits for state death taxes or state generation-skipping taxes, no taxes for either are owed under s. 198.02, F.S., or 198.021, F.S.³ However, even though the Florida Constitution effectively prohibits a Florida estate tax, s. 198.13, F.S., requires any estate of a decedent dying after December 31, 2012, to file a tax return with the Florida Department of Revenue.⁴

Unclaimed Property

Chapter 717, F.S., details how to determine whether property held by a fiduciary is unclaimed and how to dispose of it. This includes trustees of trust administered pursuant to chapter 736, F.S., of the Florida Statutes. Currently, any intangible property or income held in a fiduciary capacity for the benefit of another is presumed unclaimed if within 5 years after the property becomes distributable the owner has not interacted with the property. Interaction includes increasing or decreasing the principal, accepting payment of the principal or income, communicating with fiduciary about the property, or otherwise indicating interest as evidenced by a record on file with the fiduciary.⁵

Once the 5-year period elapses, the trustee may file a petition with the Department of Financial Services and request that the department accept custody of the property.⁶ Upon delivery of property to the department, the state assumes custody and responsibility for the safekeeping of the property. As long as the person who delivers the property to the department has done so in good faith, he or she is relieved of any liability to manage the property.⁷

¹ American Taxpayer Relief Act of 2012, Pub. Law No. 112-240, H.R. 8, 112th Cong. (Jan. 2, 2013).

² FLA. CONST. art VII, s. 5.

³ Sections 198.02, F.S. and 198.021, F.S.

⁴ Section 198.13, F.S.

⁵ Section 717.112(1), F.S.

⁶ Section 717.117(5), F.S.

⁷ Section 717.1201(5), F.S.

Caveat Notice Requirements

Section 731.110, F.S., allows an interested party to file a caveat with the circuit court preventing an estate from being administered or a will from being submitted to probate without formal notice being served on the caveator.⁸ Based on the wording of the statute, if the caveator files for administration of the estate some courts have required the caveator to file notice on him or herself.⁹

Gifts to Lawyers

Under the Rules Regulating the Florida Bar, a lawyer “shall not solicit any substantial gift from a client, including a testamentary gift or prepare on behalf of a client an instrument giving the lawyer or person related to the lawyer any substantial gift unless the lawyer or other recipient of the gift is related to client.”¹⁰ However, Florida courts have found that, with no prohibition in statute, a violation of Rule 4-1.8(c), R. Regulating Fla. Bar, does not render a gift to the lawyer void.¹¹ Instead, an interested party must show fraud, undue influence, or duress in the creation of the will to have the gift voided.¹²

Retention of Original Wills and Codicils

Under s. 732.901, F.S., all original wills must be deposited by the will’s custodian with the clerk of court having venue over the estate, within 10 days of learning of the decedent’s death.¹³ The clerk must retain the original will for safekeeping for 20 years.¹⁴ However, the Florida Supreme Court is currently considering changes to the Rules of Judicial Administration which, once a probate proceeding is initiated, may allow for the clerk to create an electronic copy of the will and destroy the original.¹⁵

Jurisdiction over Trustees and Trust Beneficiaries

Current Florida law does not contain a comprehensive long-arm statute for litigation relating to a trust. The Florida Supreme Court, following decisions by the United States Supreme Court, has ruled that if there is a statute authorizing jurisdiction and if the defendant has sufficient minimum contacts with Florida such that maintaining the suit does not offend traditional notions of fair play and substantial justice, a Florida court may exercise jurisdiction over the defendant.¹⁶ The

⁸ Sections 731.110(1) and 731.110(3), F.S.

⁹ Real Property, Probate, and Trust Law Section of The Florida Bar, *White paper: Proposed Amendment to s. 731.110(3)*, Fla. Stat. (2013) (on file with the Senate Committee on Judiciary).

¹⁰ R. Regulating Fla. Bar 4-1.8(c).

¹¹ *Agee v. Brown*, 73 So. 3d 882, 886 (Fla. 4th DCA 2011).

¹² *Id.*

¹³ Section 732.901(1), F.S.

¹⁴ Florida Dep’t of State, *General Records Schedule GS11 for Clerks of Court* (January 1, 2010), available at <http://dhis.dos.state.fl.us/barm/genschedules/GS11-2010.pdf>.

¹⁵ Real Property, Probate, and Trust Law Section of The Florida Bar, *White paper: Proposed Amendment to s. 732.901*, Fla. Stat. (2013) (on file with the Senate Committee on Judiciary).

¹⁶ *Venetian Salami Co. v. Parthenais*, 554 So. 2d 499, 500-501 (Fla. 1989).

minimum contacts test is a factual analysis insuring that a defendant's constitutional right to due process is not violated.¹⁷ The statute authorizing the jurisdiction is called a long-arm statute. The Real Property, Probate, and Trust Law Section of The Florida Bar is concerned that the long-arm statute in s. 48.193(1), F.S., is too generic to authorize jurisdiction over all necessary parties in a trust dispute, including nonresidents.¹⁸ Section 736.0202(1), F.S., allows Florida courts to acquire personal jurisdiction over nonresidents if he or she accept a trusteeship of a trust having its principal place of administration in Florida, or he or she moves the principal place of administration of a trust to Florida. However, this leaves a number of scenarios in which Florida courts do not have express authority for jurisdiction over all necessary parties. Examples of necessary parties unaccounted for by s. 736.0202(1), F.S., include a beneficiary who accepts compensation from a trust or a person who performs a service for a trust, if the trust has its principle place of business in Florida.

While on its face, s. 736.0205, F.S., appears to be a statute establishing jurisdiction, courts have interpreted it to be a *forum non conveniens* statute that requires a court to determine the "most appropriate forum" in which a case should proceed.¹⁹ Courts have suggested that the statute shifts to the plaintiff the burden of proving that the choice of venue is appropriate.²⁰ However, this conflicts with Florida Rule of Civil Procedure 1.061 which provides that the defendant has the burden of pleading and proving the facts necessary to obtain a change of venue. Thus, the relationship between the statute and the rule of civil procedure creates confusion as to the correct placement of burden of proof for *forum non conveniens* issues.

Trust Accounting

Under current Florida law, a trustee of an irrevocable trust must provide an annual accounting of the trust to every beneficiary. The accounting must address the cash and property transactions in the accounting period and what trust assets are currently on hand.²¹

III. Effect of Proposed Changes:

Estate Tax (Section 1)

The bill amends s. 198.13, F.S., eliminating the requirement that an estate with a decedent dying after December 31, 2012, file a tax return with the Florida Department of Revenue. The elimination of the requirement is retroactively applied beginning January 1, 2013.

Unclaimed property held in Trust (Sections 3 and 4)

The bill creates s. 717.1125, F.S., which reduces to 2 years from 5 years the time period after which all intangible property and any income held in a trust is presumed to be unclaimed property and payable to the Department of Financial Services. However, the bill amends

¹⁷ *Id* at 500.

¹⁸ Real Property, Probate and Trust Law Section of The Florida Bar, *White paper: Proposed Statutes on Acquiring Jurisdiction over Trustees and Trust Beneficiaries and Repealing s. 736.0205* (2013) (on file with the Senate Committee on Judiciary).

¹⁹ *In Re: Estate of McMillian*, 603 So. 2d 685, 688 (Fla. 1st DCA 1992).

²⁰ *Id.*

²¹ Sections 736.0813 and 736.01835, F.S.

s. 717.112(1), F.S., to preserve existing procedures for a personal representative of an estate to deposit unclaimed funds into the registry of the court.

Caveat Notice Requirements (Section 5)

The bill amends s. 731.110, F.S., to clarify that a caveator is not required to serve formal notice of his or her own petition for administration of an estate on his or herself.

Gifts to Lawyers (Section 7)

The bill creates s. 732.806, F.S., which voids, with certain exceptions, any part of a written instrument that a lawyer prepared or supervised which makes a gift to a lawyer or a person related to the lawyer. However, the restriction on gifts does not affect:

- Gifts to a lawyer or other person if the lawyer or other person is related to the person making the gift.
- A written instrument appointing a lawyer, or other person related to the lawyer, as a fiduciary.
- Title to property acquired for value from a person who receives the property in violation of the restrictions on gifts.

The bill makes any provision of the instrument which attempts to waive s. 732.806, F.S., unenforceable. The bill also expressly provides that it does not preempt any other rights or remedies of interested parties which may be available in equity.

Retention of Original Wills and Codicils (Section 8)

The bill amends s. 732.901, F.S., in anticipation of changes to the Rules of Judicial Administration, clarifying that a clerk of court, upon receipt of a will, must keep the will in its original form for 20 years. Transferring and storing the will in an electronic format does not negate the requirement that the will be preserved in its original form. The bill also requires that a custodian supply only the last 4 digits of the testator's social security number to the clerk of court upon deposit of the will, instead of the entire number.

Jurisdiction Over Trustees and Trust Beneficiaries (Sections 10, 11, and 12)

The bill amends s. 736.0202(1), F.S., making it a standalone provision governing *in rem* jurisdiction over beneficiaries' interests in a trust. Additionally, the bill amends s. 736.0202(2), F.S., to create a comprehensive long-arm statute for litigation of trusts. It specifies acts or conduct that allows Florida courts to acquire personal jurisdiction over a nonresident trustee, trust beneficiary, or other person, as long as the constitutional due process requirement of minimum contacts with the state is met. These acts include:

- A trustee who accepts a trust if the principle place of business of the trust is in Florida.
- A trustee who moves a trust to Florida.
- A trustee who commits a breach of a trust in this state.

- A beneficiary or person who accepts distribution or compensation from a trust if the principle place of business of the trust is in Florida.
- A person who performs a service for a trust when the principle place of business of the trust is in Florida.

The bill also includes a catch-all provision that allows a court to exercise jurisdiction to the maximum extent permitted by the State Constitution or the Federal Constitution.

The bill creates s. 736.02025, F.S., which provides for service of process for the litigation of trust as laid out in chapter 48, F.S., the general statute on service of process.²² Section 736.02025, F.S., also provides for service of process by mail or commercial delivery service if the case involves an interest in trust property but does not seek a personal jurisdiction. Finally, it allows for service by first-class mail in certain limited circumstances.

The bill repeals s. 736.0205, F.S., which eliminates any potential conflicts between the statute and Rule 1.061 Fla. R. Civ. P. over *forum non conveniens*.

Trust Accounting (Section 14)

The bill amends s. 736.0813 F.S., to require that the trustee provide a trust accounting at least once a year from the date of the last accounting or, if there has been no previous accounting, the date that trustee became accountable.

Definitions (Sections 2 and 9)

The bill defines:

“Trust instrument” to mean a trust instrument as defined in s. 736.0103.

“Distributee” means a beneficiary who is currently entitled to receive a distribution.

“Permissible distributee” means a beneficiary who is currently eligible to receive a distribution.

Technical Changes (Sections 6, 15, 16, 17, 18, 19 and 20)

The bill amends ss. 607.0802, 731.201, 732.703, 733.212, 736.0802, 736.08125, and 738.104, F.S., to conform cross-references to changes made by the bill.

The bill repeals subsection (4) of section 736.0807, F.S., Delegation by trustee. — **(Section 13)**
(4) By accepting a delegation of powers or duties from the trustee of a trust that is subject to the law of this state, an agent submits to the jurisdiction of the courts of this state.

The bill takes effect on October 1, 2013.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

²² See Chapter. 48, F.S.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The bill will prevent financial benefits from passing to a lawyer in favor of other beneficiaries.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS/CS by Banking and Insurance on March 20, 2013:

The committee substitute retroactively applies, beginning January 1, 2013, the elimination of the requirement in s. 198.13, F.S., that an estate file a tax return with the Florida Department of Revenue even though no state estate tax is due.

The committee substitute also clarifies only unclaimed intangible property and any unclaimed income is payable to the Division of Unclaimed Property at the Department of Financial Services.

CS by Judiciary on February 19, 2013:

The committee substitute deletes a requirement in s. 198.13, F.S., that an estate file a tax return with the Florida Department of Revenue even though no state estate tax is due.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
