

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1384
Second Edition Engrossed 5/15/07

Short Title: Repeal Rule Against Perpetuities. (Public)

Sponsors: Representatives Glazier, Tillis (Primary Sponsors); Faison and Harrison.

Referred to: Judiciary II.

April 11, 2007

1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL THE STATUTORY RULE AGAINST PERPETUITIES AND
3 CODIFY THE LAW REGARDING THE POWER OF ALIENATION FOR
4 TRUSTS CREATED IN NORTH CAROLINA.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. Article 2 of Chapter 41 of the General Statutes is repealed.

7 SECTION 2. Chapter 41 of the General Statutes is amended by adding a
8 new Article to read:

9 "Article 2A.

10 "Perpetuities and Suspension of Power of Alienation.

11 "§ 41-23. Perpetuities and suspension of power of alienation.

12 (a) A trust is void if it suspends the power of alienation of trust property, as that
13 term is defined in G.S. 36C-1-103, for longer than the permissible period. The
14 permissible period is no later than 21 years after the death of an individual then alive or
15 lives then in being plus a period of 21 years.

16 (b) If the settlor of a revocable trust, as those terms are defined in
17 G.S. 36C-1-103, has an unlimited power to revoke or amend the trust, the permissible
18 period under subsection (a) of this section is computed from the termination of that
19 power.

20 (c) If a trust is created by exercise of a power of appointment, the permissible
21 period under subsection (a) of this section is computed from the time the power is
22 exercised if the power is a general power even if the power is only exercisable as a
23 testamentary power. In the case of other powers, the permissible period is computed
24 from the time the power is created, but facts at the time the power is exercised shall be
25 considered in determining whether the power of alienation is suspended beyond a life or
26 lives in being at the time of the creation of the power plus 21 years.

27 (d) The power of alienation is suspended only when there are no persons in being
28 who, alone or in combination with others, can convey an absolute fee in possession of
29 land, or full ownership of personal property.

1 (e) Notwithstanding subsection (a) of this section, there is no suspension of the
2 power of alienability by a trust or by equitable interests under a trust if the trustee has
3 the power to sell, either expressed or implied, or if there exists an unlimited power to
4 terminate the trust in one or more persons in being.

5 (f) This section does not apply to a transfer in trust (i) for charitable purposes, as
6 defined in G.S. 36C-4-405; (ii) to a literary or charitable organization; (iii) to a veterans'
7 memorial organization; (iv) to a cemetery corporation, society, or association; or (v) as
8 part of a pension, retirement, insurance, savings, stock bonus, profit sharing, death,
9 disability, or similar plan established by an employer for the benefit of some or all of its
10 employees for the purpose of accumulating and distributing to such employees the
11 earnings or the principal, or both earnings and principal, of the trust.

12 (g) This section does not apply to a future interest other than a future interest in
13 trust and, other than as set forth in this section, this section does not modify the common
14 law of the State regarding the power of alienation in this State.

15 (h) The common law rule against perpetuities is not in force in this State."

16 **SECTION 3.** This act becomes effective January 1, 2008, and applies to all
17 trusts and other property interests created before, on, or after that date.