Ch. 57

WASHINGTON LAWS 1971

CHAPTER 57
[House Bill No. 143]
PROFESSIONAL SERVICE CORPORATIONS--OFFICERS

AN ACT Relating to professional service corporations; and adding a new section to chapter 122, Laws of 1969 and to chapter 18.100 RCW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. Section 1. There is added to chapter 122, Laws of 1969 and to chapter 18.100 RCW a new section to read as follows:

A professional corporation which has only one shareholder need have only one director who shall be such shareholder and who shall also serve as president, vice president, secretary, and treasurer. A professional corporation which has only two shareholders need have only two directors who shall be such shareholders. The two shareholders between them shall fill the offices of president, vice president, secretary, and treasurer except that the offices of president and secretary shall not be held by the same shareholder.

Passed the House February 3, 1971.
Passed the Senate March 6, 1971.
Approved by the Governor March 22, 1971.
Filed in Office of Secretary of State March 22, 1971.

CHAPTER 58
[House Bill No. 216]
TRUSTS

AN ACT Relating to trusts; and creating new sections.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. Section 1. This act shall apply only to trusts which are "private foundations" as defined in section 509 of the Internal Revenue Code of 1954, "charitable trusts" as described in section 4947(a)(1) of the Internal Revenue Code of 1954, or "split-interest trusts" as described in section 4947(a)(2) of the Internal Revenue Code of 1954. With respect to any such trust created after December 31, 1969, this act shall apply from such trust's creation. With respect to any such trust created before January 1, 1970, this act shall apply only to such trust's federal taxable years beginning after December 31, 1971.

NEW SECTION. Sec. 2. The trust instrument of each trust to which this act applies shall be deemed to contain provisions prohibiting the trustees from:
(1) Engaging in any act of "self-dealing" (as defined in section 4941(d) of the Internal Revenue Code of 1954), which would give rise to any liability for the tax imposed by section 4941(a) of the Internal Revenue Code of 1954;

(2) Retaining any "excess business holdings" (as defined in section 4943(c) of the Internal Revenue Code of 1954), which would give rise to any liability for the tax imposed by section 4943(a) of the Internal Revenue Code of 1954;

(3) Making any investments which would jeopardize the carrying out of any of the exempt purposes of the trust, within the meaning of section 4944 of the Internal Revenue Code of 1954, so as to give rise to any liability for the tax imposed by section 4944(a) of the Internal Revenue Code of 1954; and

(4) Making any "taxable expenditures" (as defined in section 4945(d) of the Internal Revenue Code of 1954), which would give rise to any liability for the tax imposed by section 4945(a) of the Internal Revenue Code of 1954:

Provided, That this section shall not apply either to those split-interest trusts or to amounts thereof which are not subject to the prohibitions applicable to private foundations by reason of the provisions of section 4947 of the Internal Revenue Code of 1954.

NEW SECTION. Sec. 3. The trust instrument of each trust to which this act applies, except split-interest trusts, shall be deemed to contain a provision requiring the trustee to distribute, for the purposes specified in the trust instrument, for each taxable year of the trust, amounts at least sufficient to avoid liability for the tax imposed by section 4942(a) of the Internal Revenue Code of 1954.

NEW SECTION. Sec. 4. Nothing in this act shall impair the rights and powers of the courts or the attorney general of this state with respect to any trust.

NEW SECTION. Sec. 5. All references to sections of the Internal Revenue Code of 1954 shall include future amendments to such sections and corresponding provisions of future internal revenue laws.

NEW SECTION. Sec. 6. Nothing in this act shall limit the power of a person who creates a trust after the effective date of this act or the power of a person who has retained or has been granted the right to amend a trust created before the effective date of this act, to include a specific provision in the trust instrument or an amendment thereto, as the case may be, which provides that some or all of the provisions of sections 2 and 3 of this act shall have no application to such trust.

NEW SECTION. Sec. 7. If any provision of this act or the application thereof to any trust is held invalid, such invalidity
shall not affect the other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are declared to be severable.

Passed the Senate March 10, 1971.
Approved by the Governor March 22, 1971.
Filed in Office of Secretary of State March 22, 1971.

CHAPTER 59
[House Bill No. 217]
NOT FOR PROFIT CORPORATIONS

AN ACT Relating to not for profit corporations; and adding a new chapter to Title 214 RCW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. Section 1. There is added to Title 214 RCW a new chapter to read as set forth in sections 2 through 8 of this 1971 act.

NEW SECTION. Sec. 2. This chapter shall apply to every not for profit corporation to which Title 214 RCW applies, and which is a "private foundation" as defined in section 509 of the Internal Revenue Code of 1954, and which has been or shall be incorporated under the laws of the state of Washington after December 31, 1969. As to any such corporation so incorporated before January 1, 1970, this chapter shall apply only for its federal taxable years beginning after December 31, 1971.

NEW SECTION. Sec. 3. The articles of incorporation of every corporation to which this chapter applies shall be deemed to contain provisions prohibiting the corporation from:

1. Engaging in any act of "self-dealing" (as defined in section 4941(d) of the Internal Revenue Code of 1954), which would give rise to any liability for the tax imposed by section 4941(a) of the Internal Revenue Code of 1954;

2. Retaining any "excess business holdings" (as defined in section 4943 (c) of the Internal Revenue Code of 1954), which would give rise to any liability for the tax imposed by section 4943(a) of the Internal Revenue Code of 1954;

3. Making any investment which would jeopardize the carrying out of any of its exempt purposes, within the meaning of section 4944 of the Internal Revenue Code of 1954, so as to give rise to any liability for the tax imposed by section 4944(a) of the Internal Revenue Code of 1954; and