

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2003**

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**HOUSE DRH60179-LL-66 (3/5)**

Short Title: Elective Share Amendments.

(Public)

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Sponsors: Representative Culpepper.

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Referred to:

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A BILL TO BE ENTITLED

AN ACT TO CLARIFY CERTAIN PROVISIONS OF THE LAW ESTABLISHING  
THE ELECTIVE SHARE OF A DECEDENT'S SURVIVING SPOUSE AND TO  
REPEAL THE RIGHT OF A SURVIVING SPOUSE TO ELECT A LIFE  
INTEREST IN LIEU OF AN INTESTATE SHARE.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 30-3.1 reads as rewritten:

**"§ 30-3.1. Right of elective share.**

(a) Elective Share. – The surviving spouse of a decedent who dies domiciled in this State has a right to claim an "elective share", which means an amount equal to (i) the applicable share of the Total Net Assets, as defined in ~~G.S. 30-3.2(e)~~, G.S. 30-3.2(4), less (ii) the value of Property Passing to Surviving Spouse, as defined in G.S. 30-3.3(a). The applicable share of the Total Net Assets is as follows:

- (1) If the decedent is not survived by any lineal descendants, one-half of the Total Net Assets.
- (2) If the decedent is survived by one child, or lineal descendants of one deceased child, one-half of the Total Net Assets.
- (3) If the decedent is survived by two or more children, or by one or more children and the lineal descendants of one or more deceased children, or by the lineal descendants of two or more deceased children, one-third of the Total Net Assets.

(b) Reduction of Applicable Share. – In those cases in which the surviving spouse is a second or successive spouse, and the decedent has one or more lineal descendants surviving by a prior marriage but there are no lineal descendants surviving by the surviving spouse, the applicable share as determined in subsection (a) of this section shall be reduced by one-half.

1 (c) Death Taxes. – Death taxes shall be taken into account as a claim against the  
2 estate in determining Total Net Assets only to the extent that ~~such taxes are increased~~  
3 ~~because~~ the assets received by the surviving spouse do not qualify for the federal estate  
4 tax marital deduction pursuant to section 2056 of the Code or similar provisions under  
5 the laws of any other applicable taxing jurisdiction. The amount of such claims shall  
6 equal the difference between the amount of such death taxes as finally determined and  
7 the amount such death taxes would have been if all assets received by the surviving  
8 spouse had qualified for the federal estate tax marital deduction pursuant to section  
9 2056 of the Code and similar provisions under the laws of any other applicable taxing  
10 jurisdictions."

11 **SECTION 2.** G.S. 30-3.2 reads as rewritten:

12 **"§ 30-3.2. Definitions.**

13 The following definitions apply in this Article:

- 14 (1) "Code" means the Internal Revenue Code in effect at the time of the  
15 decedent's death.
- 16 (2) "Death taxes" means any estate, inheritance, succession, and similar  
17 taxes imposed by any taxing authority, reduced by any applicable  
18 credits against those taxes.
- 19 (3) "Nonadverse trustee" ~~means a trustee who would be deemed~~  
20 ~~nonadverse under section 672 of the Code.~~ means:
- 21 a. Any person who does not possess a substantial beneficial  
22 interest in the trust that would be adversely affected by the  
23 exercise or nonexercise of the power that the individual trustee  
24 possesses respecting the trust;
- 25 b. Any person subject to a power of removal by the surviving  
26 spouse with or without cause; or
- 27 c. Any company authorized to engage in trust business under the  
28 laws of this State, or that otherwise meets the requirements to  
29 engage in trust business under the laws of this State.
- 30 (4) "Total Net Assets" means, after the payment or provision for payment  
31 of the decedent's funeral expenses, year's allowances to persons other  
32 than to the surviving spouse, debts, claims other than an equitable  
33 distribution of property awarded to the surviving spouse pursuant to  
34 G.S. 50-20 subsequent to the death of the decedent, and administration  
35 expenses, the sum of the following:
- 36 a. All property to which the decedent had legal and equitable title  
37 immediately prior to death;
- 38 b. All property received by the decedent's personal representative  
39 by reason of the decedent's death, other than wrongful death  
40 proceeds;
- 41 c. One-half of the value of any property held by the decedent and  
42 the surviving spouse as tenants by the entirety, or as joint  
43 tenants with rights of survivorship;

- 1 d. The entire value of any interest in property held by the decedent  
2 and another person, other than the surviving spouse, as joint  
3 tenants with right of survivorship, except to the extent that  
4 contribution can be proven by clear and convincing evidence;
- 5 e. The value of any property which would be included in the  
6 taxable estate of the decedent pursuant to sections 2033, 2035,  
7 2036, 2037, 2038, 2039, or 2040 of the Code.
- 8 f. Any ~~donative transfers~~ gifts of property made by the decedent to  
9 donees other than the surviving spouse within six months of the  
10 decedent's death, excluding:
- 11 1. Any gifts within the annual exclusion provisions of  
12 section 2503 of the Code;
- 13 2. Any gifts to which the surviving spouse consented. A  
14 signing of a deed, or income or gift tax return reporting  
15 such gift shall be considered consent; and
- 16 3. Any gifts made prior to marriage;
- 17 g. Any proceeds of any individual retirement account, pension or  
18 profit-sharing plan, or any private or governmental retirement  
19 plan or annuity of which the decedent controlled the designation  
20 of beneficiary, excluding any benefits under the federal social  
21 security system;
- 22 h. Any other Property Passing to Surviving Spouse under G.S.  
23 30-3.3; and
- 24 i. In case of overlapping application of the same property under  
25 more than one provision, the property shall be included only  
26 once under the provision yielding the greatest value."

27 **SECTION 3.** G.S. 30-3.3(a) reads as rewritten:

28 **"§ 30-3.3. Property Passing to Surviving Spouse.**

29 (a) Property Passing to Surviving Spouse. – For purposes of this Article,  
30 "Property Passing to Surviving Spouse" means the sum of the following:

- 31 (1) One-half of the value of any interest in property held by the decedent  
32 and the surviving spouse as tenants by the entirety or as joint tenants  
33 with rights of survivorship;
- 34 (2) The value of any interest in property (outright or in trust, including any  
35 interest subject to a general power of appointment held by the  
36 surviving spouse, as defined in section 2041 of the Code) devised by  
37 the decedent to the surviving spouse, or which passes to the surviving  
38 spouse by intestacy, or by beneficiary designation, or by exercise of or  
39 in default of the exercise of the decedent's testamentary general or  
40 limited power of appointment, or by operation of law or otherwise by  
41 reason of the decedent's death, excluding any benefits under the  
42 federal social security system;
- 43 (3) Any year's allowance awarded to the surviving spouse;
- 44 (4) The value of any property renounced by the surviving spouse;

- 1 (5) The value of the surviving spouse's interest, outright or in trust, in any  
2 life insurance proceeds on the life of the decedent;
- 3 (6) The value of any interest in property, outright or in trust, transferred  
4 from the decedent to the surviving spouse during the lifetime of  
5 decedent for which (i) a gift tax return is timely filed reporting such  
6 gift, or (ii) the surviving spouse signs a statement acknowledging such  
7 a gift. For purposes of this subdivision, any gift to the surviving spouse  
8 by the decedent of the decedent's interest in any property held by the  
9 decedent and the surviving spouse as tenants by the entirety or as joint  
10 tenants with right of survivorship shall be valued at one-half of the  
11 entire value of that interest in property at the time the gift is made;
- 12 (7) The Notwithstanding any other provision of law related to valuing a  
13 partial interest in property, the entire fair market value of any property  
14 held in trust for the exclusive benefit of the surviving spouse during  
15 the surviving spouse's lifetime, where the trust requires a Nonadverse  
16 Trustee to utilize the principal and income of the trust for the support  
17 and maintenance of the surviving spouse; and if the terms of the trust  
18 meet the following requirements:
- 19 a. During the lifetime of the surviving spouse, the trust is  
20 controlled by one or more Nonadverse Trustees;
- 21 b. The trustee is required to distribute to or for the benefit of the  
22 surviving spouse either (i) the entire net income of the trust at  
23 least annually; or (ii) the income of the trust in such amounts  
24 and at such times as the trustee, in its discretion, determines  
25 necessary for the health, maintenance, and support of the  
26 surviving spouse;
- 27 c. The trustee is required to distribute to or for the benefit of the  
28 surviving spouse out of the principal of the trust such amounts  
29 and at such times as the trustee, in its discretion, determines  
30 necessary for the health, maintenance, and support of the  
31 surviving spouse; and
- 32 In exercising discretion, the trustee may be authorized or required to  
33 take into consideration all other income, assets, and other means of  
34 support as are available to the surviving spouse; and
- 35 (8) The net value of the marital estate awarded to the surviving spouse  
36 pursuant to G.S. 50-20 subsequent to the death of the decedent."

37 **SECTION 4.** G.S. 30-3.4 reads as rewritten:

38 **"§ 30-3.4. Procedure for determining the elective share.**

39 (a) **Exercisable Only During Lifetime.** – The right of the surviving spouse to file  
40 a claim for an elective share must be exercised during the lifetime of the surviving  
41 spouse, by the surviving spouse, the surviving spouse's agent under a power of attorney,  
42 or the guardian of the surviving spouse's estate. If a surviving spouse dies before the  
43 claim for an elective share has been settled, the surviving spouse's personal  
44 representative shall succeed to the surviving spouse's rights to an elective share.

1 (b) Time Limitations. – A claim for an elective share must be made within six  
2 months after the issuance of letters testamentary or letters of administration in  
3 connection with the will or intestate proceeding with respect to which the surviving  
4 spouse claims the elective share by (i) filing a petition with the clerk of superior court of  
5 the county in which the primary administration of the decedent's estate lies, and (ii)  
6 mailing or delivering a copy of that petition to the personal representative of the  
7 decedent's estate. A surviving spouse's incapacity shall not toll the six-month period of  
8 limitations.

9 (c) Time for Hearing. – Unless waived by the personal representative and the  
10 surviving spouse, the clerk shall set the matter for hearing no earlier than two months  
11 and no later than six months after the filing of the petition. However, the clerk may  
12 extend the time of hearing as the clerk sees fit. The surviving spouse shall give notice of  
13 the hearing to the personal representative, and to any person described in G.S. 30-3.5  
14 who may be required to contribute toward the satisfaction of the elective share.

15 (d) Preparation of Tax Form. – In every case in which a petition to determine an  
16 elective share has been filed, and within two months of the filing of the petition, the  
17 personal representative shall prepare and submit to the clerk a proposed Form 706,  
18 federal estate tax return, for the estate, regardless of whether that form is required to be  
19 filed with the Internal Revenue Service. The clerk may extend the time for submission  
20 of the proposed Form 706 as the clerk sees fit.

21 (e) Valuation. – The valuation of interests in property for purposes of G.S. 30-3.2  
22 and G.S. 30-3.3 shall be determined as follows:

23 (1) Basic principles. – Each interest shall be valued at its fair market  
24 value, reduced by all liens, claims, or encumbrances against the  
25 interest. For interests passing at the decedent's death, valuation shall be  
26 as of the date of death, and for interests transferred during the  
27 decedent's lifetime, valuation shall be as of the date of transfer.

28 (2) Valuation of partial and contingent interests in property. – The  
29 valuation of interests in property, outright or in trust, which are limited  
30 to commence or terminate upon the death of one or more persons,  
31 upon the expiration of a period of time, or upon the occurrence of one  
32 or more contingencies, shall be determined by computations based  
33 upon the mortuary and annuity tables set forth in G.S. 8-46 and G.S.  
34 8-47, and upon the basis of six percent (6%) of the gross value of the  
35 underlying property in which those interests are limited. However, in  
36 valuing interests passing to the surviving spouse, the following special  
37 rules apply:

38 a. ~~To the extent that the interest is dependent upon the exercise of~~  
39 ~~discretion by a fiduciary, the interest shall have no value unless~~  
40 ~~the spouse is serving as that fiduciary and the power to~~  
41 ~~distribute the trust property constitutes a general power of~~  
42 ~~appointment held by the spouse, as defined in section 2041 of~~  
43 ~~the Code or the fiduciary is a Nonadverse Trustee required to~~  
44 ~~utilize the income and principal for the exclusive benefit of the~~

1 ~~surviving spouse during the surviving spouse's lifetime; An~~  
2 ~~interest described in G.S. 30-3.3(a)(7) that shall be valued as if~~  
3 ~~the underlying property or interest passed outright to the~~  
4 ~~surviving spouse unencumbered by any trust;~~

- 5 b. To the extent that the interest is dependent upon the occurrence  
6 of any contingency that is not subject to the control of the  
7 surviving spouse and that is not subject to valuation by  
8 reference to the mortuary and annuity tables set forth in G.S.  
9 8-46 and G.S. 8-47, the contingency will be conclusively  
10 presumed to result in the lowest possible value passing to the  
11 surviving spouse. However, a life estate or income interest that  
12 will terminate only upon the earlier of the surviving spouse's  
13 death or remarriage will be valued without regard to the  
14 possibility of termination upon remarriage; and
- 15 c. To the extent that the valuation of an interest is dependent upon  
16 the life expectancy of the surviving spouse, that life expectancy  
17 shall be conclusively presumed to be no less than 10 years,  
18 regardless of the actual attained age of the surviving spouse at  
19 the decedent's death.
- 20 (3) Determination of fair market value. – The fair market value of each  
21 asset comprising Total Net Assets shall be determined as follows:
- 22 a. Probate assets and assets passing to spouse. – The value of each  
23 probate asset and Property Passing to Surviving Spouse, other  
24 than assets held in trust, shall be established by the good faith  
25 agreement of the surviving spouse and the personal  
26 representative, unless either (i) the surviving spouse is the  
27 personal representative, or (ii) the clerk determines that the  
28 personal representative may not be able to represent the estate  
29 adversely to the surviving spouse.
- 30 b. Trust assets. – The value of each trust asset shall be established  
31 by good faith agreement of the surviving spouse and the trustee,  
32 unless either (i) the surviving spouse is the trustee, or (ii) the  
33 clerk determines that the trustee may not be able to represent  
34 the trust adversely to the surviving spouse.
- 35 c. Other assets. – The value of any other asset shall be established  
36 by the good faith agreement of the surviving spouse and each  
37 person described in G.S. 30-3.5 who may be required to  
38 contribute toward the satisfaction of the elective share because  
39 of that person's interest in the asset, unless the clerk determines  
40 that valuation under sub-subdivision d. of this subdivision is  
41 more appropriate.
- 42 d. Use of disinterested persons. – If the value of any asset is not  
43 established by agreement, the clerk shall appoint one or more  
44 qualified and disinterested persons to determine a value of each

1                   asset. That determination of the value of an asset shall be final  
2                   for the exclusive purposes of this Article.

3       (f) Findings and Conclusions. – After notice and hearing, the clerk shall  
4 determine whether or not the surviving spouse is entitled to an elective share, and if so,  
5 the clerk shall then determine the elective share and shall order the personal  
6 representative to transfer that amount to the surviving spouse. The clerk's order shall  
7 recite specific findings of fact and conclusions of law in arriving at the decedent's Total  
8 Net Assets, Property Passing to Surviving Spouse, and the elective share.

9       (g) Appeals. – Any party in interest may appeal from the decision of the clerk to  
10 the superior court. If an appeal is taken from the decision of the clerk, that appeal shall  
11 have the effect of staying the judgment and order of the clerk until the cause is heard  
12 and determined by the superior court upon the appeal taken. Upon an appeal taken from  
13 the clerk to the superior court, the judge may review the findings of fact by the clerk and  
14 may find the facts or take other evidence, but the facts found by the judge shall be final  
15 and conclusive upon any appeal to the Appellate Division."

16               **SECTION 5.** G.S. 30-3.6 is amended by adding a new subsection to read:

17       "(c) A written waiver executed prior to January 1, 2001, that would have been  
18 effective to waive a spouse's right to dissent in estates of decedents dying on or before  
19 December 31, 2000, under Article 1 of Chapter 30 of the General Statutes, is effective  
20 to waive that spouse's right of elective share under this Article for estates of decedent's  
21 dying on or after January 1, 2001."

22               **SECTION 6.** G.S. 29-30 is repealed.

23               **SECTION 7.** This act becomes effective January 1, 2004, and applies to  
24 estates of decedents dying on or after that date.