

ESTATES AND PROTECTED INDIVIDUALS CODE (EXCERPT)
Act 386 of 1998

700.7409a Trusts with nondisclosure period.

Sec. 7409a.

(1) If the terms of a trust other than a charitable trust are embodied in a trust instrument that clearly express the settlor's intent that 1 or more items of prime disclosure information should be withheld, generally or in specified circumstances, from 1 or more of the trust beneficiaries, both of the following apply:

(a) During the nondisclosure period all of the following apply:

(i) To the extent necessary to effectuate the settlor's expressed intent, the trustee does not have the duty under section 7814(2)(a) to (c) to provide beneficiaries with the terms of the trust and information about the trust's property and to notify qualified trust beneficiaries of the existence of the trust and the identity of the trustee.

(ii) The trustee may administer the trust in accordance with the settlor's expressed intent regarding nondisclosure of primary disclosure information to the extent made practicable by the terms of the trust given the circumstances of the beneficiaries and any reporting obligations imposed on the trustee by law other than this act.

(iii) If the trust instrument grants a nondisclosure correlative right, the trustee has a duty to administer the trust in accordance with the settlor's expressed intent regarding nondisclosure of primary disclosure information, but only to the extent made practicable by the terms of the trust given the circumstances of the beneficiaries and any reporting obligations imposed on the trustee by law other than this act.

(iv) Any purported appointment or distribution of assets of the instant trust to another undisclosed trust is ineffective to the extent it could cause the appointed or distributed assets to be administered continuously under the authority of this section for a period ending after the date on which the instant trust's maximum nondisclosure period ends.

(b) The trustee or any holder of either a nondisclosure correlative right or a protection power is not liable to any trust beneficiary because of the trustee's failure to follow the terms of the trust prescribing nondisclosure of prime disclosure information. The trustee's duty, if any, to follow the terms of the trust prescribing nondisclosure of prime disclosure information during the trust's nondisclosure period is owed solely to the holders, if any, of nondisclosure correlative rights, and the sole remedy of a nondisclosure correlative right holder for the trustee's breach of that duty is removal.

(2) If the trust instrument grants either a nondisclosure correlative right or a protection power, all of the following apply:

(a) On the reasonable request of a nondisclosure correlative right holder or protection power holder at any time during the trust's nondisclosure period, the trustee shall promptly furnish to the right or power holder a copy of the terms of the trust that describe or affect the holder's right or power.

(b) Within 63 days after accepting trusteeship of an undisclosed trust, the trustee shall notify all nondisclosure correlative right holders and protection power holders of the acceptance, of the court in which the trust is registered, if it is registered, and of the trustee's name, address, and telephone number.

(c) Within 63 days after the date the trustee acquires knowledge of the creation of an undisclosed trust of which the trustee is trustee or the date the trustee acquires knowledge that a formerly revocable trust of which the trustee is trustee has, by becoming irrevocable, whether by the death of the settlor or otherwise, become an undisclosed trust, the trustee shall notify all nondisclosure correlative right holders and protection power holders of the trust's existence, of the identity of the settlor or settlors, of the court in which the trust is registered, if it is registered, and of the right to request a copy of the terms of the trust that describe or affect the power holders' rights or powers.

(3) On the date on which the nondisclosure period ends, the trust ceases to be an undisclosed trust and to the extent terms of the trust are inconsistent with the duty under section 7814(2)(a) to (c) to provide beneficiaries with the terms of the trust and information about the trust's property and to notify qualified trust beneficiaries of the existence of the trust and the identity of the trustee, those terms cease to be effective.

(4) To the extent the trustee has not already provided the notice of the trust required under section 7814(2) by the end of the trust's nondisclosure period, the trustee is deemed for that purpose to have accepted the trust and to have acquired knowledge of the trust's creation on the date on which the nondisclosure period ends, and the identities of the qualified trust beneficiaries are determined for that purpose as of the time immediately preceding the end of the nondisclosure period.

(5) As used in this section:

(a) "Maximum nondisclosure period" means a period of 25 years from the later of the first date on which property becomes subject to the terms of the trust or the date on which the trust ceases to be revocable by the settlor.

(b) "Nondisclosure correlative right" means a right granted by the terms of a trust that allows the right holder to remove a trustee of the trust for the trustee's failure during the trust's nondisclosure period to follow, to the extent

practicable, the terms of the trust prescribing nondisclosure of prime disclosure information.

(c) "Nondisclosure period" means the shorter of the trust's maximum nondisclosure period or the period from the beginning of the maximum nondisclosure period to the trust's termination.

(d) "Prime disclosure information" concerning a trust means the fact of the trust's existence, the identity of the trustee, the terms of the trust, or the nature or extent of the trust property.

(e) "Protection power" means a power granted by the terms of a trust that allows the power holder, acting in a fiduciary capacity, to direct the trustee of the trust for the benefit of the trust beneficiaries during the trust's nondisclosure period. A protection power may authorize the power holder to represent the trust beneficiaries in the sense described in section 7301(1) to (2) without regard to the application of sections 7302 to 7304.

(f) "Undisclosed trust" means a trust administered under this section during the nondisclosure period.

History: Add. 2024, Act 1, Imd. Eff. Feb. 21, 2024

Popular Name: EPIC