

CHAPTER 153

AN ACT concerning certain property in trust and amending R.S.25:2-1.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. R.S.25:2-1 is amended to read as follows:

Conveyances of personal property in trust for use of persons making them void as to creditors; exemptions, definitions.

25:2-1. Conveyances of personal property in trust for use of persons making them void as to creditors. a. Except as provided in subsection b. of this section, every deed of gift and every conveyance, transfer and assignment of goods, chattels or things in action, made in trust for the use of the person making the same, shall be void as against creditors.

b. Notwithstanding the provisions of any other law to the contrary, any property held in a qualifying trust and any distributions from a qualifying trust, regardless of the distribution plan elected for the qualifying trust, shall be exempt from all claims of creditors and shall be excluded from an estate in bankruptcy, except that:

(1) no exemption shall be allowed for any preferences or fraudulent conveyances made in violation of the "Uniform Fraudulent Transfer Act," R.S.25:2-20 et seq., or any other State or federal law;

(2) no qualifying trust shall be exempt from the claims under any order for child support or spousal support or of an alternate payee under a qualified domestic relations order. However, the interest of any alternate payee under a qualified domestic relations order is exempt from all claims of any creditor of the alternate payee. As used in this paragraph, the terms "alternate payee" and "qualified domestic relations order" have the meanings ascribed to them in section 414(p) of the federal Internal Revenue Code of 1986 (26 U.S.C. s.414(p)); and

(3) no qualifying trust shall be exempt from any punitive damages awarded in a civil action arising from manslaughter or murder

For purposes of this section, a "qualifying trust" means a trust created or qualified and maintained pursuant to federal law, including, but not limited to, section 401, 403, 408, 408A, 409, 529 or 530 of the federal Internal Revenue Code of 1986 (26 U.S.C. s.401, 403, 408, 408A, 409, 529 or 530).

2. This act shall take effect immediately.

Approved July 13, 2001.