Rights of Beneficiaries of Government Savings Bonds

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RIGHTS OF BENEFICIARIES OF GOVERNMENT SAVINGS BONDS

In 1939 the Washington Court in *Decker v. Fowler* virtually eliminated the effect of the beneficiary provision in government savings bonds by holding that beneficiaries named in the bonds have no right to the proceeds on the death of the purchaser unless there has been a valid inter vivos gift of the bond between the purchaser and the beneficiary. The majority of the court apparently failed to recognize that there was a donee beneficiary contract entered into between the purchaser and the government. In two subsequent Washington cases, where the court has found a contract relation in somewhat analogous situations, *Decker v. Fowler* has been specifically distinguished as not involving a contract problem. Thus the court has adhered to its position in the *Decker* case with the inevitable result of confusion as to the rights of beneficiaries of government savings bonds.

The question regarding the beneficiary's rights has also arisen in other jurisdictions and in at least one of them, New York, *Decker v. Fowler* has been cited with approval. The New York court has added an additional element to the problem, however, by stigmatizing the beneficiary provision as a violation of the Statute of Wills. On the other hand, decisions directly contrary to that of the Washington Court have been handed down by three other courts. Two of them, the Court of Claims, and the New Jersey Equity Court, have specifically found that the bonds entail a donee beneficiary relation, while the third, the Colorado Supreme Court, has based its decision solely on the ground that the bonds are authorized by Congressional action and

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3 *In re Lewis' Estate*, 2 Wn. (2d) 467, 98 P. (2d) 654 (1940): provision in deed cancelling the accompanying mortgage if the deed was not fully paid for by the vendor's death was held a valid contract between vendor and vendee. *In re Iver's Estate*, 4 Wn. (2d) 458, 104 P. (2d) 467 (1940): joint bank account with the right of survivorship held not a testamentary disposition.
4 *In re Karlinski's Estate*, 38 N. Y. S. (2nd) 297 (1942); Devo v. Adams, 178 Misc. 859, 86 N. Y. S. (2d) 734 (1942); see also, 56 Harv. Law Rev. 1007 (May, 1943).
5 Warren v. United States, 66 Ct. Cl. 634 (1929); Franklin Washington Trust Co. v. Beltram, 133 N. J. Eq. 11, 29 A. (2d) 854 (1943); *In re Stanley's Estate*, 102 Colo. 422, 80 P. (2d) 332 (1938).
therefore should have the supremacy afforded Federal law. 6 Realizing the difficulties which will arise in a confusion of state decisions on the problem, the Federal government has intervened in the Karlinski case. 7

The confusion in Washington as to government savings bonds has now fortunately been clarified by the legislature. An act affirming the beneficiary's rights was passed in the 1943 session. It provides:

"§ 1: If either co-owner of United States Savings Bonds registered in two names as co-owners (in the alternative) dies without having presented and surrendered the bond for payment to a Federal Reserve Bank or the Treasury Department, the surviving co-owner will be the sole and absolute owner of the bond.

"§ 2: If the registered owner of United States Savings Bonds registered in the name of one person payable on death to another dies without having presented and surrendered the bond for payment or authorized re-issue to a Federal Reserve Bank or Treasury Department, and is survived by the beneficiary, the beneficiary will be the sole and absolute owner of the bond."

Although this enactment has solved the problem as to government bonds, the rights of beneficiaries of life insurance policies and savings deposit trusts are still uncertain. 9 It is necessary to recognize a contract relation in the Decker case, as the court did in the Iver and Lewis cases in order to have a clear precedent for further cases involving the rights of contract beneficiaries. 10

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RECENT CASES

SALES TAX—APPLICABILITY TO CONDITIONAL SALES. Held: Where property sold under a conditional sales contract is repossessed by the vendor after part payment, the sales tax is to be computed on the full amount of the sale, and is not limited to the amounts actually collected thereunder. The sales tax is payable on the full consideration, and money, credits, rights or chattel given as part of the purchase price are not exempt from the tax. Olympic Motors v. McCroskey, 115 Wash. Dec. 562, 132 P. (2d) 355 (1942).

Plaintiff sold motor vehicles on conditional sales contracts, under which it repossessed a number of them. In making its regular report to the state tax commission, plaintiff paid the sales tax upon the amount of the conditional sales after deducting therefrom the unpaid balances due upon the conditional sales contracts under which it had repossessed vehicles.

6 As to the policy favoring supremacy of Federal obligations, see: Franklin Washington Trust Co. v. Beltram, op. cit. supra, n. 5; Clearfield Trust Co. v. United States, 63 Sup. Ct. 573 (1943); Federal common law determined liability of endorser of treasury check; Gulf Oil Co. v. Lstrap, 48 F. Supp. 947 (S. D., Tex. 1945); beneficiary allowed to recover in insurance policy though he had no insurable interest by state law.

7 Rehearing. In re Karlinski's Estate, 40 N. Y. S. (2d) 22 (March, 1943).

8 Ch. 14, Session Laws, 1943.

9 Vance, INSURANCE (2d ed. 1930), p. 545; 14 WASH. LAW REV. 312, n. 2, op. cit. supra, n. 2; 1 Scott, TRUSTS (1939), § 58.3; 56 HARV. LAW REV. 1007 (May, 1943).