

## **WHAT IS A PURE CONTRACT TRUST?**

A Pure Contract Trust, as we refer to it here, is a particular form of contract with a declaration of trust that is protected by the constitutional right to contract and by Common Law.

This should not be confused with a Common Law Trust, Massachusetts Trust, Business Trust, or any form or association of any type of statutory trust.

## **WHAT ABOUT OTHER TRUSTS?**

**Q.** My friend took some literature on the Pure Contract Trust to an attorney and was told that it was the same as a "Massachusetts Trust." Is this correct?

**A.** No. You may want to cite to your friend the following court case: "Designation of form of trust is not controlling; court will look to substance of circumstances and not labels placed on them by parties." Johnson vs. Hychyk, 517 P 2d 1079. The Pure Contract Trust is unique in that it has no beneficiaries. It is primarily a contract and secondarily a trust. It is very different from a "Massachusetts Trust" or an "Unincorporated Business Organization" (UBO). Some states have statutes that subject trusts and UBOs to the same licensing, reporting, and taxation as a corporation. If you research these statutes, you'll find that their definition of "trust" does not include the Pure Contract Trust. And even if such a statute were to specifically name the Pure Contract Trust, it would be unconstitutional because it's primarily a contract and "no state shall pass any law impairing the obligation of contracts" (Article I, Section 10, U.S. Constitution).

**Q.** What is a "Massachusetts Trust?"

**A.** This is a common law trust with beneficial interest certificates that are normally held by several unrelated individuals. Sometimes it's also called an "Unincorporated Business Organization" or "UBO." It's usually formed with some business purpose in mind. It may be classified in some states, and by the IRS, as a corporation if it has more than 50% corporate characteristics and features. Some states have statutes that subject Massachusetts trusts to the same regulation, reporting requirements, and taxation as a corporation. The Pure Contract Trust is greatly superior to an "Unincorporated Business Organization" or "UBO."