



Office of the Special Trustee for American Indians

In 1994, Congress passed the American Indian Trust Fund Management Reform Act that established the Office of the Special Trustee for American Indians (OST) to improve the management of the Indian trust in the Department of the Interior (Interior). OST is headquartered in Washington, D.C. Financial management and other functions are administered in Albuquerque, New Mexico. Staff is located throughout Indian country.

OST is responsible for:

- financial management of the fiduciary trust—including posting trust funds; and receipting, investing, and disbursing trust funds to individual and tribal beneficiaries
- appraisals of real property—providing impartial estimates of value for a variety of specific real property interests on land owned in trust or restricted status
- services provided to trust beneficiaries—coordinating reform efforts to improve overall trust asset management and beneficiary services throughout Interior

OST works with the Bureau of Indian Affairs (BIA). BIA's responsibilities include:

- managing resources—including trust activities relating to property leases, land conservation and use, permits, trespass, and rights-of-way
- recording title ownership
- preparing probates for adjudication
- managing supervised individual Indian trust accounts



Indian Trust Accounts

Money comes into the trust through a variety of sources including commercial, industrial, recreational, mineral, and agricultural leases. Money is also collected for grazing and range permits, timber sales and permits, rights-of-way uses, land sales, and court judgment or settlement awards for tribes and individuals (e.g., per capita payments). If funds are held in an account for more than one day, they are invested and earn interest.

There are two primary kinds of Indian trust accounts: tribal and Individual Indian Money (IIM) accounts. Your new account is an IIM account.

IIM accounts are established for individual trust beneficiaries. These accounts can be created for a number of reasons. Some examples include:

- You are the original allottee of a parcel of trust land or an interest in trust land.
- You have inherited the land through probate.
- You received a trust asset through a gift deed or purchase.
- You received a per capita trust payment from a tribe, a tribal settlement, or a federal judgment award.



Contact OST

There is an efficient and easy way to get answers to questions about your trust assets. The Trust Beneficiary Call Center (TBCC) is a central location for questions and answers so you receive prompt, consistent information. If OST's trained representatives cannot answer your question immediately, they will gather information from you, then track and follow-up to make sure you are provided a response as quickly as possible.

OST Fiduciary Trust Officers (FTOs), managed by Regional Fiduciary Trust Administrators (RTAs), serve as primary points of contact for trust beneficiaries. FTOs are located across Indian country and frequently hold local outreach meetings for beneficiaries, providing them general trust information and answering questions. To locate your FTO or a RTA, visit the OST website at www.doi.gov/ost/fto or contact the TBCC.

TBCC, toll free, 1-888-678-6836

Monday - Friday 7 a.m. to 6 p.m. & Saturday 8 a.m. to Noon , Mountain Time

Native American clipart supplied by First People - a large site about Native Americans and members of the First Nations.

Types of IIM Accounts

Unrestricted

Most adults have unrestricted accounts. In general, funds in unrestricted accounts are disbursed to the account holder whenever the account balance reaches \$15 or more. At any time, an account holder may request the balance of his or her account be disbursed, regardless of the balance in the account. Funds are invested in government securities and earn interest until they are disbursed.

Restricted (including supervised)

Accounts may be restricted for a variety of reasons. An account may be restricted because a claim is pending against the account, such as for child support, or if OST does not have a current address on file (i.e. the beneficiary is on the Whereabouts Unknown list). Restricted accounts include supervised accounts, generally held for minors and for those who are unable to care for their own financial affairs. The funds are disbursed for use in accordance with a BIA-approved distribution plan. If the account holder is a minor, his or her account is supervised until the account holder reaches 18 years of age or the age of majority determined by his or her tribe. Funds in restricted accounts are invested and earn income.

Estate

Estate accounts are established when OST receives notice that an account holder is deceased. Estate accounts remain open, receiving income and earning interest, until the probate process is completed and assets are distributed.



Your Trust Fund Disbursements

There are two electronic options to receive your funds. You may be able to receive your funds through direct deposit to your financial institution or you may choose to have your funds provided to you through automatic transfers to a personal debit card account at Chase Bank, even if you do not have an account at any other financial institution. With either option, you don't have to wait for a check in the mail. Postings are automatic; money is deposited to your account whenever it is received, regardless of the amount. Account holders using either electronic option receive quarterly statements showing the activity on the account. Debit card users have access to broadcast notifications through a JP Morgan Chase offering.

If you do not choose an electronic option to receive your money, your disbursements will be sent to you in check form through the U.S. Postal Service. A check is generally sent whenever the account balance reaches \$15 or more. However, if you receive an oil and gas payment, you generally will get a disbursement if the payment is \$5 or more.



Income Subject to Taxation

Generally, income derived directly from land held in trust by the U.S. Government is exempt from federal and state taxation for individual Indians. However, all interest income, capital gain income, and certain royalty and other income is subject to federal and state taxation.

Each year, OST issues Forms 1099 to beneficiaries who received taxable income during the previous calendar year. Income reported on Form 1099 is:

Investment income: Funds on deposit with OST are invested and earn interest and capital gain income, which are both subject to federal and state taxation.

Oil and gas related interest income: Interest payments made by oil and gas companies due to late or underpaid royalties is subject to federal and state taxation. The amount of oil and gas related interest income earned in IIM accounts may fluctuate each year based on the length of time the oil and gas companies have underpaid. Therefore, please review the explanation of payment you receive to identify how much of each payment is interest income.

Royalty income: Royalty income received by members of the Five Civilized Tribes of Oklahoma is subject to federal and state taxation.

Osage mineral trust income: Royalty, rent and other income received by owners of the Osage Mineral Trust with a tax status of "competent" is subject to federal and state taxation. Interest income is taxable for all Osage mineral trust owners.

Questions regarding information reported on Form 1099 can be addressed by contacting your Fiduciary Trust Officer or by calling the Trust Beneficiary Call Center, toll free, at 1-888-678-6836.

Please consult your tax professional for advice.

Revised 7/10/13



Finding Indian Trust Account Holders: Whereabouts Unknown

Tens of thousands of Individual Indian Money account holders don't know they have a trust account! Some of these accounts have more than \$100,000 in them. OST is looking for "Whereabouts Unknown" individuals in order to distribute their Indian trust funds to them.

There are many reasons people's names are added to the Whereabouts Unknown list. When a person dies, his or her assets may go to his or her heirs. Many times those heirs are not living in the area and no one knows where they are. Often people move and forget to notify OST, especially if they don't have an active account at the time they move.

Beneficiaries should advise OST if there is a name change due to marriage. A copy of the marriage license will be requested. If a name change is the result of a divorce, adoption, or court order, the beneficiary will be asked to provide a copy of the court order or decree.

To search for names on the Whereabouts Unknown list, go to the OST website at www.doi.gov/ost/wau and click on the letters or use the search box to look up names.

If you know an account holder on the list, please contact OST with the following information:

- ➡ Name of account holder (first name, middle initial, last name)
- ➡ Current address
- ➡ Telephone number

Fractionation is the most difficult problem in Indian trust management today, as it can render trust land economically useless to beneficiaries and creates volumes of red tape for potential lessees.



Estate Planning

The Department of the Interior is responsible for probating and distributing all trust assets when a beneficiary passes away. If a beneficiary dies without a will (or *intestate*), Interior staff must determine the rightful heirs and distribute trust assets among them in accordance with applicable laws.

Often beneficiaries have trust assets in more than one state. The American Indian Probate Reform Act of 2004 (AIPRA) allows Indian trust assets to be distributed to heirs based on one federal probate code or tribal code, rather than multiple state codes. The law also helps facilitate the consolidation of fractionated trust assets by making it easier for people to transfer assets and by implementing a single-heir inheritance rule. This single-heir rule only applies if an account holder owns a highly fractionated asset (less than five percent ownership) and dies without a will.

OST is working with various non-profit legal organizations to provide information to beneficiaries regarding the impact of AIPRA. If a beneficiary does not have a will, his or her trust assets will pass to his or her heirs based on either federal or tribal laws. However, having a valid, written will gives a beneficiary the ability to distribute trust property to whomever he or she chooses.

One of the main purposes of AIPRA is to preserve the trust status of Indian lands and to reduce the number of small fractionated interests. It offers an opportunity for individuals to determine how and when they want to distribute their trust assets. Through estate planning, individuals may wish to create a will or sell, transfer, or otherwise consolidate their interests in trust or restricted land.

Individual Indian Money (IIM) accounts are different than bank accounts. In general, you cannot close your IIM account because your funds are tied to a trust asset that may continue to earn income. However, if you do not wish to have an IIM account, you may be able to deed your trust interest to another party.

Some people choose this option to assist with the problem of highly divided interests in a parcel of land (fractionation).

Note: AIPRA does not apply to trust or restricted property in Alaska, or to the Five Civilized Tribes or the Osage Nation.

Fractionation

Fractionation, or the extreme division of ownership in a parcel of land, is the product of federal Indian policies of the late 19th century. Fractionation is the result of land passing down from one generation to the next, and more and more heirs acquiring an undivided interest in the land.

Because of early inheritance laws and probate codes, it is common to have hundreds, even thousands, of Indian owners for one parcel of land. Fractionation is often the reason a beneficiary receives a very small payment in his or her account. For example, a hundred years ago, a sixty-acre parcel of land could have been held in trust for one couple with three children. If each of those three children had three or more children, and so on for four generations, those sixty acres could now be held in trust for more than three hundred people. Each shovel full of dirt from that land is owned by all three hundred owners. If you divide a lease payment of \$1,000 a year among three hundred heirs, each beneficiary may receive a check for \$3.33.

Tribes and Interior are working on solutions to this massive problem. In late 2012, Interior initiated the Land Buy-Back Program for Tribal Nations, as dictated by the *Cobell* Settlement agreement. Using the \$1.9 billion settlement, the program will address fractionation by purchasing fractional interests in allotted lands from willing sellers. By transferring those interests to the tribes, the program will support the goal of consolidating land ownership and increasing the likelihood of productive economic use of the land. (Offers will be made at some initial reservations by December 2013.) If you would like more information about the program, please visit www.doi.gov/buybackprogram, or check with your Fiduciary Trust Officer. Locate your FTO online at www.doi.gov/ost/fto.



Your Trust Account Statement

Account statements are generally mailed to Indian trust beneficiaries on a quarterly basis.* These statements include account activity for the past quarter and contain information such as the account balance at the beginning of the quarter, all transactions during the quarter, including receipts and disbursements, and the balance at the end of the quarter. If you receive income from an oil or gas asset, you will also receive an explanation of payment that includes the payor's name and lease number, sales information, unit values, royalty information, and adjustments.

Your personal IIM account number is made up of three sections and will look something like this:
123 A 123456.

The first three digits represent a tribal code, land area code, or Alaska Regional Corporation code.

The one-letter character is an "alpha" or "class" code, which identifies the type of account you have. For example:

A	=	Account holder is the original allottee of the land
U	=	An Indian account holder who is not the original allottee but owns land interests or receives a per capita payment
N	=	An Indian who is not enrolled in a federally-recognized tribe (lineal descendant)
L	=	Life estate, dower or curtesy, or homestead interest for an Indian
B	=	Life estate, dower or curtesy, or homestead interest for a non-Indian
J	=	Judgment per capita payment, generally used for minors and adults in need of assistance or under legal disability
P	=	Tribal per capita payment generally used for minors or adults in need of assistance or under legal disability
X	=	Non-Indian fee interest owner

The group of numbers following the alpha code is your personal account number. In some cases this is your tribal enrollment number. Although you may have more than one type of account, your personal account number will usually remain the same. Only the "alpha" code should be different.

*If you have an account with a very low balance, and it has had no activity for the last eighteen months, you will receive a statement once a year.