

386.466 "Entity" defined -- Character of receipts from entities.

- (1) In this section, "entity" means a corporation, partnership, limited partnership, limited liability company, statutory or business trust, regulated investment company, real estate investment trust, common trust fund, or any other organization in which a trustee has an interest other than a trust or estate to which KRS 386.468 applies.
- (2) Except as otherwise provided in this section, a trustee shall allocate to income money received from an entity.
- (3) A trustee shall allocate the following receipts from an entity to principal:
 - (a) Property other than money;
 - (b) Money received in one (1) distribution or a series of related distributions in exchange for part or all of a trust's interest in the entity;
 - (c) Money received in total or partial liquidation of the entity; and
 - (d) Money received from an entity that is a regulated investment company or a real estate investment trust, if the money distributed is a capital gain dividend for federal income tax purposes.
- (4) Money is received in partial liquidation:
 - (a) To the extent that the entity, at or near the time of a distribution, indicates that it is a distribution in partial liquidation; or
 - (b) If the total amount of money and property received in a distribution or series of related distributions is greater than twenty percent (20%) of the entity's gross assets, as shown by the entity's year end financial statements immediately preceding the initial receipt.
- (5) Money is not received in partial liquidation, nor may it be taken into account under paragraph (b) of subsection (4) of this section to the extent that it does not exceed the amount of income tax that a trustee or beneficiary shall pay on taxable income of the entity that distributes the money.
- (6) A trustee may rely upon a statement made by an entity about the source or character of a distribution if the statement is made at or near the time of distribution by the entity's board of directors or other person or group of persons authorized to exercise powers to pay money or transfer property comparable to those of a corporation's board of directors.

Effective: July 15, 2010

History: Amended 2010 Ky. Acts ch. 133, sec. 76, effective July 15, 2010. -- Created 2004 Ky. Acts ch. 158, sec. 9, effective January 1, 2005.

Legislative Research Commission Note (9/9/2008). The Reviser of Statutes has corrected a manifest clerical or typographical error in subsection (5) of this statute under the authority of KRS 7.136(1)(h) by supplying the inadvertently omitted word "tax" following "the amount of income" to conform with the adopted text of the Uniform Principal and Income Act.