

386.470 Principal receipts.

A trustee shall allocate to principal:

- (1) To the extent not allocated to income under KRS 386.450 to 386.504, assets received from a transferor during the transferor's lifetime, a decedent's estate, a trust with a terminating income interest, or a payer under a contract naming the trust or its trustee as beneficiary;
- (2) Money or other property received from the sale, exchange, liquidation, or change in form of a principal asset, including stock splits and realized profit, subject to this article;
- (3) Amounts recovered from third parties to reimburse the trust because of disbursements described in KRS 386.492(1)(g) or for other reasons to the extent not based on the loss of income;
- (4) Proceeds of property taken by eminent domain, but a separate award made for the loss of income with respect to an accounting period during which a current income beneficiary had a mandatory income interest is income;
- (5) Net income received in an accounting period during which there is no beneficiary to whom a trustee may or shall distribute income;
- (6) If a trustee grants an option to buy property from the trust, whether or not the trust owns the property when the option is granted, grants an option that permits another person to sell property to the trust, or acquires an option to buy property for the trust or an option to sell an asset owned by the trust, and the trustee or other owner of the asset is required to deliver the asset if the option is exercised, an amount received for granting the option shall be allocated to principal. An amount paid to acquire the option shall be paid from principal. A gain or loss realized upon the exercise of an option, including an option granted to a settlor of the trust for services rendered, shall be allocated to principal; and
- (7) Other receipts as provided in KRS 386.478, 386.480, 386.482, 386.484, 386.486, and 386.488.

Effective: January 1, 2005

History: Created 2004 Ky. Acts ch. 158, sec. 11, effective January 1, 2005.