

Title 22. Fiduciaries and Trusts

Chapter 1 Fiduciaries

22-1-1 Definitions.

In this chapter unless the context or subject matter otherwise requires:

"Fiduciary" includes a trustee under any trust, expressed, implied, resulting or constructive, executor, administrator, guardian, conservator, curator, receiver, trustee in bankruptcy, assignee for the benefit of creditors, partner, agent, officer of a corporation, public or private, public officer, and any other person acting in a fiduciary capacity for any person, trust or estate.

"Principal" includes any person to whom a fiduciary as such owes an obligation.

A thing is done "in good faith" when it is in fact done honestly, whether it is done negligently or not.

No Change Since 1953

22-1-2 Payments made to fiduciaries.

A person who in good faith pays or transfers to a fiduciary any money or other property which the fiduciary as such is authorized to receive is not responsible for the proper application thereof by the fiduciary; and no right or title acquired from the fiduciary in consideration of such payment or transfer is invalid in consequence of a misapplication by the fiduciary.

No Change Since 1953

22-1-4 Transfer of negotiable instruments by fiduciaries.

If any negotiable instrument payable or indorsed to a fiduciary as such is endorsed by the fiduciary, or if any negotiable instrument payable or endorsed to his principal is endorsed by a fiduciary empowered to endorse such instrument on behalf of his principal, the indorsee is not bound to inquire whether the fiduciary is committing a breach of his obligation as fiduciary in endorsing or delivering the instrument, and is not chargeable with notice that the fiduciary is committing a breach of his obligation as fiduciary, unless he takes the instrument with actual knowledge of such breach or with knowledge of such facts that his action in taking the instrument amounts to bad faith. If, however, such instrument is transferred by the fiduciary in payment of, or as security for, a personal debt of the fiduciary to the actual knowledge of the creditor, or is transferred in any transaction known by the transferee to be for the personal benefit of the fiduciary, the creditor or other transferee is liable to the principal, if the fiduciary in fact commits a breach of his obligation as fiduciary in transferring the instrument.

No Change Since 1953

22-1-5 Checks -- Drawn by fiduciaries, payable to third persons.

If a check or other bill of exchange is drawn by a fiduciary as such, or in the name of his principal by a fiduciary empowered to draw such instrument in the name of his principal, the payee is not bound to inquire whether the fiduciary is committing a breach of his obligation as fiduciary in drawing or delivering the instrument, and is not chargeable with notice that the fiduciary is committing a breach of his obligation as fiduciary, unless he takes the instrument with actual

knowledge of such breach or with knowledge of such facts that his action in taking the instrument amounts to bad faith. If, however, such instrument is payable to a personal creditor of the fiduciary and delivered to the creditor in payment of, or as security for, a personal debt of the fiduciary to the actual knowledge of the creditor, or is drawn and delivered in any transaction known by the payee to be for the personal benefit of the fiduciary, the creditor or other payee is liable to the principal, if the fiduciary in fact commits a breach of his obligation as fiduciary in drawing or delivering the instrument.

No Change Since 1953

22-1-6 Checks drawn by or payable to fiduciary.

If a check or other bill of exchange is drawn by a fiduciary as such, or in the name of his principal by a fiduciary empowered to draw such instrument in the name of his principal, payable to the fiduciary personally, or payable to a third person and by him transferred to the fiduciary, and is thereafter transferred by the fiduciary, whether in payment of a personal debt of the fiduciary or otherwise, the transferee is not bound to inquire whether the fiduciary is committing a breach of his obligation as fiduciary in transferring the instrument, and is not chargeable with notice that the fiduciary is committing a breach of his obligation as fiduciary, unless he takes the instrument with actual knowledge of such breach or with knowledge of such facts that his action in taking the instrument amounts to bad faith.

No Change Since 1953

22-1-7 Bank deposits in name of fiduciary.

If a deposit is made in a bank to the credit of a fiduciary as such, the bank is authorized to pay the amount of the deposit or any part thereof upon the check of the fiduciary, signed with the name in which such deposit is entered, without being liable to the principal, unless the bank pays the check with actual knowledge that the fiduciary is committing a breach of his obligation as fiduciary in drawing the check, or with knowledge of such facts that its action in paying the check amounts to bad faith. If, however, such a check is payable to the drawee bank and is delivered to it in payment of, or as security for, a personal debt of the fiduciary to it, the bank is liable to the principal, if the fiduciary in fact commits a breach of his obligation as fiduciary in drawing or delivering the check.

No Change Since 1953

22-1-8 Checks drawn in name of principal.

If a check is drawn upon the account of his principal in a bank by a fiduciary who is empowered to draw checks upon his principal's account, the bank is authorized to pay such check without being liable to the principal, unless the bank pays the check with actual knowledge that the fiduciary is committing a breach of his obligation as fiduciary in drawing such check, or with knowledge of such facts that its action in paying the check amounts to bad faith. If, however, such a check is payable to the drawee bank and is delivered to it in payment of, or as security for, a personal debt of the fiduciary to it, the bank is liable to the principal, if the fiduciary in fact commits a breach of his obligation as fiduciary in drawing or delivering the check.

No Change Since 1953

22-1-9 Deposits in fiduciary's personal account.

If a fiduciary makes a deposit in a bank to his personal credit of checks drawn by him upon an account in his own name as fiduciary, or of checks payable to him as fiduciary, or of checks drawn by him upon an account in the name of his principal, if he is empowered to draw checks thereon, or of checks payable to his principal and indorsed by him, if he is empowered to indorse such checks, or if he otherwise makes a deposit of funds held by him as fiduciary, the bank receiving such deposit is not bound to inquire whether the fiduciary is committing thereby a breach of his obligation as fiduciary; and the bank is authorized to pay the amount of the deposit or any part thereof upon the personal check of the fiduciary without being liable to the principal, unless the bank receives the deposit or pays the check with actual knowledge that the fiduciary is committing a breach of his obligation as fiduciary in making such deposit or in drawing such check, or with knowledge of such facts that its action in receiving the deposit or paying the check amounts to bad faith.

No Change Since 1953

22-1-10 Deposits in name of several trustees.

When a deposit is made in a bank in the name of two or more persons as trustees and a check is drawn upon the trust account by any trustee or trustees authorized by the other trustee or trustees to draw checks upon the trust account, neither the payee nor other holder nor the bank is bound to inquire whether it is a breach of trust to authorize such trustee or trustees to draw checks upon the trust account, and is not liable, unless the circumstances are such that the action of the payee or other holder or the bank amounts to bad faith.

No Change Since 1953

22-1-11 Transactions prior to May 12, 1925, excepted.

The provisions of this chapter do not apply to transactions taking place prior to May 12, 1925.

Amended by Chapter 297, 2011 General Session

**Chapter 2
Trusts**

22-2-1 Death of trustee -- Trust estate vests in successor.

Upon the death of a sole or surviving trustee of an express trust the trust estate does not descend to his heirs or pass to his personal representatives, but shall by virtue hereof, upon the appointment and qualification of a successor to such trustee, become immediately vested in such successor in trust.

No Change Since 1953

**Chapter 3
Uniform Fiduciary Income and Principal Act**

Part 1

General Provisions

22-3-101 Title.

This chapter is known as the "Uniform Fiduciary Income and Principal Act."

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-102 Definitions.

In this chapter:

- (1)
 - (a) "Accounting period" means a calendar year, unless a fiduciary selects another period of 12 calendar months or approximately 12 calendar months.
 - (b) "Accounting period" includes a part of a calendar year or another period of 12 calendar months or approximately 12 calendar months that begins when an income interest begins or ends when an income interest ends.
- (2)
 - (a) "Asset-backed security" means a security that is serviced primarily by the cash flows of a discrete pool of fixed or revolving receivables or other financial assets that by the financial assets' terms convert into cash within a finite time.
 - (b) "Asset-backed security" includes rights or other assets that ensure the servicing or timely distribution of proceeds to the holder of the asset-backed security.
 - (c) "Asset-backed security" does not include an asset to which Section 22-3-401, 22-3-409, or 22-3-414 applies.
- (3) "Beneficiary" includes:
 - (a) for a trust:
 - (i) a current beneficiary, including a current income beneficiary and a beneficiary that may receive only principal;
 - (ii) a remainder beneficiary; and
 - (iii) any other successor beneficiary;
 - (b) for an estate, an heir and devisee; and
 - (c) for a life estate or term interest, a person that holds a life estate, term interest, or remainder, or other interest following a life estate or term interest.
- (4) "Court" means a court in this state with jurisdiction over a trust or estate, or a life estate or other term interest described in Subsection 22-3-103(2).
- (5) "Current income beneficiary" means a beneficiary to which a fiduciary may distribute net income, even if the fiduciary also may distribute principal to the beneficiary.
- (6)
 - (a) "Distribution" means a payment or transfer by a fiduciary to a beneficiary in the beneficiary's capacity as a beneficiary, made under the terms of the trust, without consideration other than the beneficiary's right to receive the payment or transfer under the terms of the trust.
 - (b) "Distribute," "distributed," and "distributee" have corresponding meanings.
- (7)
 - (a) "Estate" means a decedent's estate.
 - (b) "Estate" includes the property of the decedent as the estate is originally constituted and the property of the estate as it exists at any time during administration.
- (8) "Fiduciary" includes:

- (a) a trustee, trust director as defined in Section 75-12-102, personal representative, life tenant, holder of a term interest, and person acting under a delegation from a fiduciary;
 - (b) a person that holds property for a successor beneficiary whose interest may be affected by an allocation of receipts and expenditures between income and principal; and
 - (c) if there are two or more co-fiduciaries, all co-fiduciaries acting under the terms of the trust and applicable law.
- (9)
- (a) "Income" means money or other property a fiduciary receives as current return from principal.
 - (b) "Income" includes a part of receipts from a sale, exchange, or liquidation of a principal asset to the extent provided in Part 4, Allocation of Receipts.
- (10)
- (a) "Income interest" means the right of a current income beneficiary to receive all or part of net income, whether the terms of the trust require the net income to be distributed or authorize the net income to be distributed in the fiduciary's discretion.
 - (b) "Income interest" includes the right of a current beneficiary to use property held by a fiduciary.
- (11) "Independent person" means a person that is not:
- (a) for a trust:
 - (i) a qualified beneficiary as determined under Section 75-7-103;
 - (ii) a settlor of the trust; or
 - (iii) an individual whose legal obligation to support a beneficiary may be satisfied by a distribution from the trust;
 - (b) for an estate, a beneficiary;
 - (c) a spouse, parent, brother, sister, or issue of an individual described in Subsection (11)(a) or (b);
 - (d) a corporation, partnership, limited liability company, or other entity in which persons described in Subsections (11)(a) through (c), in the aggregate, have voting control; or
 - (e) an employee of a person described in Subsection (11)(a), (b), (c), or (d).
- (12) "Mandatory income interest" means the right of a current income beneficiary to receive net income that the terms of the trust require the fiduciary to distribute.
- (13)
- (a) "Net income" means:
 - (i) the total allocations during an accounting period to income under the terms of a trust and this chapter minus the disbursements during the accounting period, other than distributions, allocated to income under the terms of the trust and this chapter; and
 - (ii) to the extent the trust is a unitrust under Part 3, Unitrust, the unitrust amount determined under Part 3, Unitrust.
 - (b) "Net income" includes an adjustment from principal to income under Section 22-3-203.
 - (c) "Net income" does not include an adjustment from income to principal under Section 22-3-203.
- (14) "Person" means:
- (a) an individual;
 - (b) an estate;
 - (c) a trust;
 - (d) a business or nonprofit entity;
 - (e) a public corporation, government or governmental subdivision, agency, or instrumentality; or
 - (f) any other legal entity.

- (15) "Personal representative" means an executor, administrator, successor personal representative, special administrator, or person that performs substantially the same function with respect to an estate under the law governing the person's status.
- (16) "Principal" means property held in trust for distribution to, production of income for, or use by a current or successor beneficiary.
- (17) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.
- (18) "Settlor" means the same as that term is defined in Section 75-7-103.
- (19) "Special tax benefit" means:
 - (a) exclusion of a transfer to a trust from gifts described in Section 2503(b) of the Internal Revenue Code because of the qualification of an income interest in the trust as a present interest in property;
 - (b) status as a qualified subchapter S trust described in Section 1361(d)(3) of the Internal Revenue Code at a time the trust holds stock of an S corporation described in Section 1361(a)(1) of the Internal Revenue Code;
 - (c) an estate or gift tax marital deduction for a transfer to a trust under Section 2056 or 2523 of the Internal Revenue Code that depends or depended in whole or in part on the right of the settlor's spouse to receive the net income of the trust;
 - (d) exemption in whole or in part of a trust from the federal generation-skipping transfer tax imposed by Section 2601 of the Internal Revenue Code because the trust was irrevocable on September 25, 1985, if there is any possibility that:
 - (i) a taxable distribution, as defined in Section 2612(b) of the Internal Revenue Code, could be made from the trust; or
 - (ii) a taxable termination, as defined in Section 2612(a) of the Internal Revenue Code, could occur with respect to the trust; or
 - (e) an inclusion ratio, as defined in Section 2642(a) of the Internal Revenue Code, of the trust which is less than one, if there is any possibility that:
 - (i) a taxable distribution, as defined in Section 2612(b) of the Internal Revenue Code, could be made from the trust; or
 - (ii) a taxable termination, as defined in Section 2612(a) of the Internal Revenue Code, could occur with respect to the trust.
- (20) "Successive interest" means the interest of a successor beneficiary.
- (21) "Successor beneficiary" means a person entitled to receive income or principal or to use property when an income interest or other current interest ends.
- (22) "Terms of a trust" means:
 - (a) except as otherwise provided in Subsection (22)(b), the manifestation of the settlor's intent regarding a trust's provisions as:
 - (i) expressed in the trust instrument; or
 - (ii) established by other evidence that would be admissible in a judicial proceeding;
 - (b) the trust's provisions as established, determined, or amended by:
 - (i) a trustee or trust director in accordance with applicable law;
 - (ii) a court order; or
 - (iii) a nonjudicial settlement agreement under Section 75-7-110;
 - (c) for an estate, a will; or
 - (d) for a life estate or term interest, the corresponding manifestation of the rights of the beneficiaries.
- (23)
 - (a) "Trust" includes:

- (i) an express trust, private or charitable, with additions to the trust, wherever and however created; and
 - (ii) a trust created or determined by judgment or decree under which the trust is to be administered in the manner of an express trust.
- (b) "Trust" does not include:
- (i) a constructive trust;
 - (ii) a resulting trust, conservatorship, guardianship, multi-party account, custodial arrangement for a minor, business trust, voting trust, security arrangement, liquidation trust, or trust for the primary purpose of paying debts, dividends, interest, salaries, wages, profits, pensions, retirement benefits, or employee benefits of any kind; or
 - (iii) an arrangement under which a person is a nominee, escrowee, or agent for another.
- (24)
- (a) "Trustee" means a person, other than a personal representative, that owns or holds property for the benefit of a beneficiary.
 - (b) "Trustee" includes an original, additional, or successor trustee, whether appointed or confirmed by a court.
- (25)
- (a) "Will" means any testamentary instrument recognized by applicable law that makes a legally effective disposition of an individual's property effective at the individual's death.
 - (b) "Will" includes a codicil or other amendment to a testamentary instrument.

Amended by Chapter 348, 2020 General Session

22-3-103 Scope.

Except as otherwise provided in the terms of a trust or this chapter, this chapter applies to:

- (1) a trust or estate; and
- (2) a life estate or other term interest in which the interest of one or more persons will be succeeded by the interest of one or more other persons.

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-104 Governing law.

- (1) Except as otherwise provided in the terms of a trust or this chapter, this chapter applies when this state is:
 - (a) the principal place of administration of a trust or estate; or
 - (b) the situs of property that is not held in a trust or estate and is subject to a life estate or other term interest described in Subsection 22-3-103(2).
- (2) By accepting the trusteeship of a trust having the trust's principal place of administration in this state or by moving the principal place of administration of a trust to this state, the trustee submits to the application of this chapter to any matter within the scope of this chapter involving the trust.

Amended by Chapter 348, 2020 General Session

Part 2
Fiduciary Duties and Judicial Review

22-3-201 Fiduciary duties -- General principles.

- (1) In making an allocation or determination or exercising discretion under this chapter, a fiduciary shall:
 - (a) act in good faith, based on what is fair and reasonable to all beneficiaries;
 - (b) administer a trust or estate impartially, except to the extent the terms of the trust manifest an intent that the fiduciary shall or may favor one or more beneficiaries;
 - (c) administer the trust or estate in accordance with the terms of the trust, even if there is a different provision in this chapter; and
 - (d) administer the trust or estate in accordance with this chapter, except to the extent the terms of the trust provide otherwise or authorize the fiduciary to determine otherwise.
- (2)
 - (a) A fiduciary's allocation, determination, or exercise of discretion under this chapter is presumed to be fair and reasonable to all beneficiaries.
 - (b) A fiduciary may exercise a discretionary power of administration given to the fiduciary by the terms of the trust, and an exercise of the power that produces a result different from a result required or permitted by this chapter does not create an inference that the fiduciary abused the fiduciary's discretion.
- (3) A fiduciary shall:
 - (a) add a receipt to principal, to the extent neither the terms of the trust nor this chapter allocates the receipt between income and principal; and
 - (b) charge a disbursement to principal, to the extent neither the terms of the trust nor this chapter allocates the disbursement between income and principal.
- (4) If a fiduciary determines an exercise of discretionary power will assist the fiduciary to administer the trust or estate impartially, the fiduciary may:
 - (a) exercise the power to adjust under Section 22-3-203;
 - (b) convert an income trust to a unitrust under Subsection 22-3-303(1)(a);
 - (c) change the percentage or method used to calculate a unitrust amount under Subsection 22-3-303(1)(b); or
 - (d) convert a unitrust to an income trust under Subsection 22-3-303(1)(c).
- (5) In making the determination under Subsection (4), the fiduciary shall consider the following factors:
 - (a) the terms of the trust;
 - (b) the nature, distribution standards, and expected duration of the trust;
 - (c) the effect of the allocation rules, including specific adjustments between income and principal, under Part 4, Allocation of Receipts, Part 5, Allocation of Disbursements, Part 6, Death of Individual or Termination of Income Interest, and Part 7, Apportionment at Beginning and End of Income Interest;
 - (d) the desirability of liquidity and regularity of income;
 - (e) the desirability of the preservation and appreciation of principal;
 - (f) the extent to which an asset is used or may be used by a beneficiary;
 - (g) the increase or decrease in the value of principal assets, reasonably determined by the fiduciary;
 - (h) whether and to what extent the terms of the trust:
 - (i) give the fiduciary power to accumulate income or invade principal; or
 - (ii) prohibit the fiduciary from accumulating income or invading principal;
 - (i) the extent to which the fiduciary has accumulated income or invaded principal in preceding accounting periods;

- (j) the effect of current and reasonably expected economic conditions; and
- (k) the reasonably expected tax consequences of the exercise of the power.

Amended by Chapter 348, 2020 General Session

22-3-202 Judicial review of exercise of discretionary power -- Request for instruction.

- (1) In this section, "fiduciary decision" means:
 - (a) a fiduciary's allocation between income and principal or other determination regarding income and principal required or authorized by the terms of the trust or this chapter;
 - (b) the fiduciary's exercise or nonexercise of a discretionary power regarding income and principal granted by the terms of the trust or this chapter, including the power to:
 - (i) adjust under Section 22-3-203;
 - (ii) convert an income trust to a unitrust under Subsection 22-3-303(1)(a);
 - (iii) change the percentage or method used to calculate a unitrust amount under Subsection 22-3-303(1)(b); or
 - (iv) convert a unitrust to an income trust under Subsection 22-3-303(1)(c); or
 - (c) the fiduciary's implementation of a decision described in Subsection (1)(a) or (b).
- (2) The court may not order a fiduciary to change a fiduciary decision, unless the court determines that the fiduciary decision was an abuse of the fiduciary's discretion.
- (3)
 - (a) If the court determines that a fiduciary decision was an abuse of the fiduciary's discretion, the court may order a remedy authorized by law, including a remedy authorized in Section 75-7-1001.
 - (b) To place the beneficiaries in the positions that the beneficiaries would have occupied if there had not been an abuse of the fiduciary's discretion, the court may order:
 - (i) the fiduciary to exercise or refrain from exercising the power to adjust under Section 22-3-203;
 - (ii) the fiduciary to exercise or refrain from exercising the power to:
 - (A) convert an income trust to a unitrust under Subsection 22-3-303(1)(a);
 - (B) change the percentage or method used to calculate a unitrust amount under Subsection 22-3-303(1)(b); or
 - (C) convert a unitrust to an income trust under Subsection 22-3-303(1)(c);
 - (iii) the fiduciary to distribute an amount to a beneficiary;
 - (iv) a beneficiary to return some or all of a distribution; or
 - (v) the fiduciary to withhold an amount from one or more future distributions to a beneficiary.
- (4)
 - (a) On petition by a fiduciary for instruction, the court may determine whether a proposed fiduciary decision will result in an abuse of the fiduciary's discretion.
 - (b) A beneficiary that opposes the proposed decision has the burden to establish that the proposed decision will result in an abuse of the fiduciary's discretion if the petition:
 - (i) describes the proposed decision;
 - (ii) contains sufficient information to inform the beneficiary of the reasons for making the proposed decision and the facts on which the fiduciary relies; and
 - (iii) explains how the beneficiary will be affected by the proposed decision.

Amended by Chapter 348, 2020 General Session

22-3-203 Fiduciary's power to adjust.

- (1) Except as otherwise provided in the terms of a trust or this section, a fiduciary, in a record, without court approval, may adjust between income and principal if the fiduciary determines the exercise of the power to adjust will assist the fiduciary to administer the trust or estate impartially.
- (2) This section does not create a duty to exercise or consider the power to adjust under Subsection (1) or to inform a beneficiary about the applicability of this section.
- (3) A fiduciary that in good faith exercises or fails to exercise the power to adjust under Subsection (1) is not liable to a person affected by the exercise or failure to exercise.
- (4) In deciding whether and to what extent to exercise the power to adjust under Subsection (1), a fiduciary shall consider all factors the fiduciary considers relevant, including the relevant factors in Subsection 22-3-201(5) and the application of Subsection 22-3-401(9), Section 22-3-408, and Section 22-3-413.
- (5) A fiduciary may not exercise the power to make an adjustment under Subsection (1) or the power to make a determination that an allocation is insubstantial under Section 22-3-408 if:
 - (a) the adjustment or determination would reduce the amount payable to a current income beneficiary from a trust that qualifies for a special tax benefit, except to the extent the adjustment is made to provide for a reasonable apportionment of the total return of the trust between the current income beneficiary and successor beneficiaries;
 - (b) the adjustment or determination would change the amount payable to a beneficiary, as a fixed annuity or a fixed fraction of the value of the trust assets, under the terms of the trust;
 - (c) the adjustment or determination would reduce an amount that is permanently set aside for a charitable purpose under the terms of the trust, unless both income and principal are set aside for the charitable purpose;
 - (d) possessing or exercising the power would cause a person to be treated as the owner of all or part of the trust for federal income tax purposes;
 - (e) possessing or exercising the power would cause all or part of the value of the trust assets to be included in the gross estate of an individual for federal estate tax purposes;
 - (f) possessing or exercising the power would cause an individual to be treated as making a gift for federal gift tax purposes;
 - (g) the fiduciary is not an independent person;
 - (h) the trust is irrevocable and provides for income to be paid to the settlor and possessing or exercising the power would cause the adjusted principal or income to be considered an available resource or available income under a public-benefit program; or
 - (i) the trust is a unitrust under Part 3, Unitrust.
- (6) If Subsection (5)(d), (e), (f), or (g) applies to a fiduciary:
 - (a) a co-fiduciary to which Subsections (5)(d) through (g) do not apply may exercise the power to adjust, unless the exercise of the power to adjust by the remaining co-fiduciary or co-fiduciaries is not permitted by the terms of the trust or law other than this chapter; or
 - (b)
 - (i) if there is no co-fiduciary to which Subsections (5)(d) through (g) do not apply:
 - (A) except as otherwise provided in Subsection (6)(b)(ii)(A), the fiduciary may appoint a co-fiduciary to which Subsections (5)(d) through (g) do not apply;
 - (B) except as otherwise provided in Subsection (6)(b)(ii)(B), the appointed co-fiduciary may exercise the power to adjust under Subsection (1); and
 - (C) the appointed co-fiduciary may be a special fiduciary with limited powers.
 - (ii)
 - (A) If the appointment of a co-fiduciary is not permitted by the terms of the trust or by a provision of law outside this chapter, a fiduciary may not appoint a co-fiduciary.

- (B) If the exercise of the power to adjust by a co-fiduciary is not permitted by the terms of the trust or by a provision of law outside this chapter, the co-fiduciary may not exercise the power to adjust under Subsection (1).
- (7) A fiduciary may release or delegate to a co-fiduciary the power to adjust under Subsection (1) if the fiduciary determines that the fiduciary's possession or exercise of the power to adjust will or may:
- (a) cause a result described in Subsections (5)(a) through (f) or (h); or
 - (b) deprive the trust of a tax benefit or impose a tax burden not described in Subsections (5)(a) through (f).
- (8) A fiduciary's release or delegation to a co-fiduciary under Subsection (7) of the power to adjust under Subsection (1):
- (a) must be in a record;
 - (b) applies to the entire power to adjust, unless the release or delegation provides a limitation, which may be a limitation to the power to adjust:
 - (i) from income to principal;
 - (ii) from principal to income;
 - (iii) for specified property; or
 - (iv) in specified circumstances;
 - (c) for a delegation, may be modified by a redelegation under this subsection by the co-fiduciary to which the delegation is made; and
 - (d) subject to Subsection (8)(c), is permanent, unless the release or delegation provides a specified period, including a period measured by the life of an individual or the lives of more than one individual.
- (9) Terms of a trust that deny or limit the power to adjust between income and principal do not affect the application of this section, unless the terms of the trust expressly deny or limit the power to adjust under Subsection (1).
- (10) The exercise of the power to adjust under Subsection (1) in any accounting period may apply to the current accounting period, the immediately preceding accounting period, and one or more subsequent accounting periods.
- (11) A description of the exercise of the power to adjust under Subsection (1) shall be:
- (a) included in a report, if any, sent to beneficiaries under Subsection 75-7-811(3); or
 - (b) communicated at least annually to the qualified beneficiaries determined under Subsection 75-7-103(1)(h).

Amended by Chapter 348, 2020 General Session

Part 3 Unitrust

22-3-301 Definitions.

In this part:

- (1) "Applicable value" means the amount of the net fair market value of a trust taken into account under Section 22-3-307.
- (2) "Express unitrust" means a trust for which, under the terms of the trust without regard to this part, income or net income is permitted or required to be calculated as a unitrust amount.
- (3) "Income trust" means a trust that is not a unitrust.

- (4) "Net fair market value of a trust" means the fair market value of the assets of the trust minus the noncontingent liabilities of the trust.
- (5)
 - (a) "Unitrust" means a trust for which net income is a unitrust amount.
 - (b) "Unitrust" includes an express unitrust.
- (6) "Unitrust amount" means:
 - (a) an amount computed by multiplying a determined value of a trust by a determined percentage; and
 - (b) for a unitrust administered under a unitrust policy, the applicable value multiplied by the unitrust rate.
- (7) "Unitrust policy" means a policy described in Sections 22-3-305 through 22-3-309 and adopted under Section 22-3-303.
- (8) "Unitrust rate" means the rate used to compute the unitrust amount under Subsection (6) for a unitrust administered under a unitrust policy.

Amended by Chapter 348, 2020 General Session

22-3-302 Application -- Duties and remedies.

- (1) Except as otherwise provided in Subsection (2), this part applies to:
 - (a) an income trust, unless the terms of the trust expressly prohibit use of this part by:
 - (i) a specific reference to this part; or
 - (ii) an explicit expression of intent that net income not be calculated as a unitrust amount; and
 - (b) an express unitrust, except to the extent the terms of the trust explicitly:
 - (i) prohibit use of this part by a specific reference to this part;
 - (ii) prohibit conversion to an income trust; or
 - (iii) limit changes to the method of calculating the unitrust amount.
- (2) This part does not apply to a trust described in Section 170(f)(2)(B), 642(c)(5), 664(d), 2702(a)(3)(A)(ii) or (iii), or 2702(b) of the Internal Revenue Code.
- (3)
 - (a) An income trust to which this part applies under Subsection (1)(a) may be converted to a unitrust under this part regardless of the terms of the trust concerning distributions.
 - (b) Conversion to a unitrust under this part does not affect other terms of the trust concerning distributions of income or principal.
- (4)
 - (a) This part applies to an estate only to the extent a trust is a beneficiary of the estate.
 - (b) To the extent of the trust's interest in the estate, and in the same manner as for a trust under this part:
 - (i) the estate may be administered as a unitrust;
 - (ii) the administration of the estate as a unitrust may be discontinued; or
 - (iii) the percentage or method used to calculate the unitrust amount may be changed.
- (5) This part does not create a duty to take or consider action under this part or to inform a beneficiary about the applicability of this part.
- (6) A fiduciary that in good faith takes or fails to take an action under this part is not liable to a person affected by the action or inaction of the fiduciary.

Amended by Chapter 348, 2020 General Session

22-3-303 Authority of fiduciary.

- (1) A fiduciary, without court approval, by complying with Subsections (2) and (6), may:
 - (a) convert an income trust to a unitrust if the fiduciary adopts, in a record, a unitrust policy for the trust providing:
 - (i) that, in administering the trust, the net income of the trust will be a unitrust amount rather than net income determined without regard to this part; and
 - (ii) the percentage and method used to calculate the unitrust amount;
 - (b) change the percentage or method used to calculate a unitrust amount for a unitrust if the fiduciary adopts in a record a unitrust policy or an amendment or replacement of a unitrust policy providing changes in the percentage or method used to calculate the unitrust amount; or
 - (c) convert a unitrust to an income trust if the fiduciary adopts, in a record, a determination that, in administering the trust, the net income of the trust will be net income determined without regard to this part rather than a unitrust amount.
- (2) A fiduciary may take an action under Subsection (1) if:
 - (a) the fiduciary determines that the action will assist the fiduciary to administer a trust impartially;
 - (b) the fiduciary sends a notice in a record, in the manner required by Section 22-3-304, describing and proposing to take the action;
 - (c) the fiduciary sends a copy of the notice under Subsection (2)(b) to each settlor of the trust which is:
 - (i) if an individual, living; or
 - (ii) if not an individual, in existence;
 - (d) at least one member of each class of the qualified beneficiaries determined under Subsection 75-7-103(1)(h) receiving the notice under Subsection (2)(b) is:
 - (i) if an individual, legally competent;
 - (ii) if not an individual, in existence; or
 - (iii) represented in the manner provided in Subsection 22-3-304(2); and
 - (e) the fiduciary does not receive, by the date specified in the notice under Subsection 22-3-304(4)(e), an objection in a record to the action proposed under Subsection (2)(b) from a person to which the notice under Subsection (2)(b) is sent.
- (3)
 - (a) If a fiduciary receives, not later than the date stated in the notice under Subsection 22-3-304(4)(e), an objection in a record described in Subsection 22-3-304(4)(d) to a proposed action, the fiduciary or a beneficiary may request that the court:
 - (i) require the fiduciary to take the proposed action;
 - (ii) require the fiduciary to take the proposed action with modifications; or
 - (iii) prevent the proposed action.
 - (b) A person described in Subsection 22-3-304(1) may oppose the proposed action in the proceeding under Subsection (3)(a), regardless of whether the person:
 - (i) consented under Subsection 22-3-304(3); or
 - (ii) objected under Subsection 22-3-304(4)(d).
- (4) If, after sending a notice under Subsection (2)(b), a fiduciary decides not to take the action proposed in the notice, the fiduciary shall notify each person described in Subsection 22-3-304(1) in a record of the decision not to take the action and the reasons for the decision.
- (5) If a beneficiary requests in a record that a fiduciary take an action described in Subsection (1) and the fiduciary declines to act or does not act within 90 days after receiving the request, the beneficiary may request the court to direct the fiduciary to take the action requested.
- (6) In deciding whether and how to take an action authorized by Subsection (1), or whether and how to respond to a request by a beneficiary under Subsection (5), a fiduciary shall consider all

factors relevant to the trust and the beneficiaries, including the relevant factors in Subsection 22-3-201(5).

- (7) For a reason described in Subsection 22-3-203(7), and in the manner described in Subsection 22-3-203(8), a fiduciary may:
- (a) release or delegate the power to convert an income trust to a unitrust under Subsection (1)(a);
 - (b) change the percentage or method used to calculate a unitrust amount under Subsection (1)(b); or
 - (c) convert a unitrust to an income trust under Subsection (1)(c).

Amended by Chapter 348, 2020 General Session

22-3-304 Notice.

- (1) A fiduciary shall send a notice required by Subsection 22-3-303(2)(b) in a manner authorized under Section 75-7-109 to:
- (a) the qualified beneficiaries determined under Subsection 75-7-103(1)(h);
 - (b) each person acting, in accordance with Title 75, Chapter 12, Uniform Directed Trust Act, as trust director of the trust; and
 - (c) each person that is granted a power by the terms of the trust to appoint or remove a trustee or person described in Subsection (1)(b), to the extent the power is exercisable when the person that exercises the power is not then serving as trustee or is a person described in Subsection (1)(b).
- (2) The representation provisions of Sections 75-7-301 through 75-7-305 apply to notice under this section.
- (3)
- (a) A person may consent in a record at any time to action proposed under Subsection 22-3-303(2)(b).
 - (b) If a person required to receive a notice under Subsection (1) consents under Subsection (3)(a) to not receive the notice, the fiduciary is not required to send the person the notice.
- (4) A notice required by Subsection 22-3-303(2)(b) shall include:
- (a) the action proposed under Subsection 22-3-303(2)(b);
 - (b) for a conversion of an income trust to a unitrust, a copy of the unitrust policy adopted under Subsection 22-3-303(1)(a);
 - (c) for a change in the percentage or method used to calculate the unitrust amount, a copy of the unitrust policy or amendment or replacement of the unitrust policy adopted under Subsection 22-3-303(1)(b);
 - (d) a statement that the person to which the notice is sent may object to the proposed action by stating in a record the basis for the objection and sending or delivering the record to the fiduciary;
 - (e) the date by which the fiduciary shall receive an objection under Subsection (4)(d), which shall be at least 30 days after the date the notice is sent;
 - (f) the date on which the action is proposed to be taken and the date on which the action is proposed to take effect;
 - (g) the name and contact information of the fiduciary; and
 - (h) the name and contact information of a person that may be contacted for additional information.

Amended by Chapter 348, 2020 General Session

22-3-305 Unitrust policy.

- (1) In administering a unitrust under this part, a fiduciary shall follow a unitrust policy:
 - (a) adopted under Subsection 22-3-303(1)(a) or (b); or
 - (b) amended or replaced under Subsection 22-3-303(1)(b).
- (2) A unitrust policy shall provide:
 - (a) the unitrust rate or the method for determining the unitrust rate under Section 22-3-306;
 - (b) the method for determining the applicable value under Section 22-3-307; and
 - (c) the rules described in Sections 22-3-306 through 22-3-309 that apply in the administration of the unitrust, regardless of whether the rules are:
 - (i) mandatory, as provided in Subsections 22-3-307(1) and 22-3-308(1); or
 - (ii) optional, as provided in Section 22-3-306 and Subsections 22-3-307(2), 22-3-308(2), and 22-3-309(1), to the extent the fiduciary elects to adopt those rules.

Amended by Chapter 348, 2020 General Session

22-3-306 Unitrust rate.

- (1) Except as otherwise provided in Subsection 22-3-309(2)(a), a unitrust rate may be:
 - (a) a fixed unitrust rate; or
 - (b) a unitrust rate that is determined for each period using:
 - (i) a market index or other published data; or
 - (ii) a mathematical blend of market indices or other published data over a stated number of preceding periods.
- (2) Except as otherwise provided in Subsection 22-3-309(2)(a), a unitrust policy may provide:
 - (a) a limit on how high the unitrust rate determined under Subsection (1)(b) may rise;
 - (b) a limit on how low the unitrust rate determined under Subsection (1)(b) may fall;
 - (c) a limit on how much the unitrust rate determined under Subsection (1)(b) may increase over the unitrust rate for the preceding period or a mathematical blend of unitrust rates over a stated number of preceding periods;
 - (d) a limit on how much the unitrust rate determined under Subsection (1)(b) may decrease below the unitrust rate for the preceding period or a mathematical blend of unitrust rates over a stated number of preceding periods; or
 - (e) a mathematical blend of any of the unitrust rates determined under Subsection (1)(b) and Subsections (2)(a) through (d).

Enacted by Chapter 495, 2019 General Session

22-3-307 Applicable value.

- (1) A unitrust policy shall provide the method for determining the fair market value of an asset for the purpose of determining the unitrust amount, including:
 - (a) the frequency of valuing the asset, which need not require a valuation in every period; and
 - (b) the date for valuing the asset in each period that the asset is valued.
- (2) Except as otherwise provided in Subsection 22-3-309(2)(b), a unitrust policy may provide methods for determining the amount of the net fair market value of the trust to take into account in determining the applicable value, including:
 - (a) obtaining an appraisal of an asset for which fair market value is not readily available;
 - (b) exclusion of specific assets or groups or types of assets;

- (c) other exceptions or modifications of the treatment of specific assets or groups or types of assets;
- (d) identification and treatment of cash or property held for distribution;
- (e) use of:
 - (i) an average of fair market values over a stated number of preceding periods; or
 - (ii) another mathematical blend of fair market values over a stated number of preceding periods;
- (f) a limit on how much the applicable value of all assets, groups of assets, or individual assets may increase over:
 - (i) the corresponding applicable value for the preceding period; or
 - (ii) a mathematical blend of applicable values over a stated number of preceding time periods;
- (g) a limit on how much the applicable value of all assets, groups of assets, or individual assets may decrease below:
 - (i) the corresponding applicable value for the preceding period; or
 - (ii) a mathematical blend of applicable values over a stated number of preceding periods;
- (h) the treatment of accrued income and other features of an asset that affect value; and
- (i) determining the liabilities of the trust, including treatment of liabilities to conform with the treatment of assets under Subsections (2)(a) through (h).

Amended by Chapter 348, 2020 General Session

22-3-308 Period.

- (1)
 - (a) A unitrust policy shall provide the period used under Sections 22-3-306 and 22-3-307.
 - (b) Except as otherwise provided in Subsection 22-3-309(2)(c), the period may be:
 - (i) a calendar year;
 - (ii) a 12-month period other than a calendar year;
 - (iii) a calendar quarter;
 - (iv) a three-month period other than a calendar quarter; or
 - (v) another period.
- (2) Except as otherwise provided in Subsection 22-3-309(2), a unitrust policy may provide standards for:
 - (a) using fewer preceding periods under Subsection 22-3-306(1)(b)(ii), (2)(c), or (2)(d) if:
 - (i) the trust was not in existence in a preceding period; or
 - (ii) market indices or other published data are not available for a preceding period;
 - (b) using fewer preceding periods under Subsection 22-3-307(2)(e)(i) or (ii), (f)(ii), or (g)(ii) if:
 - (i) the trust was not in existence in a preceding period; or
 - (ii) fair market values are not available for a preceding period; and
 - (c) prorating the unitrust amount on a daily basis for a part of a period in which the trust or the administration of the trust as a unitrust or the interest of any beneficiary commences or terminates.

Amended by Chapter 348, 2020 General Session

22-3-309 Special tax benefits -- Other rules.

- (1) A unitrust policy may:
 - (a) provide methods and standards for:
 - (i) determining the timing of distributions;

- (ii) making distributions in cash or in kind or partly in cash and partly in kind; or
 - (iii) correcting an underpayment or overpayment to a beneficiary based on the unitrust amount if there is an error in calculating the unitrust amount;
 - (b) specify sources and the order of sources, including categories of income for federal income tax purposes, from which distributions of a unitrust amount are paid; or
 - (c) provide other standards and rules the fiduciary determines serve the interests of the beneficiaries.
- (2) If a trust qualifies for a special tax benefit or a fiduciary is not an independent person:
- (a) the unitrust rate established under Section 22-3-306 may not be less than 3% or more than 5%;
 - (b) the only provisions of Section 22-3-307 that apply are Subsections 22-3-307(1) and (2)(a), (d), (e)(i), and (i);
 - (c) the only period that may be used under Section 22-3-308 is a calendar year under Subsection 22-3-308(1); and
 - (d) the only other provisions of Section 22-3-308 that apply are Subsection 22-3-308(2)(b)(i) and (c).

Amended by Chapter 348, 2020 General Session

Part 4

Allocation of Receipts

22-3-401 Receipts from entity -- Character of receipts from entity.

- (1) In this section:
- (a) "Capital distribution" means an entity distribution of money that is a:
 - (i) return of capital; or
 - (ii) distribution in total or partial liquidation of the entity.
 - (b)
 - (i) "Entity" means a corporation, partnership, limited liability company, regulated investment company, real estate investment trust, common trust fund, or any other organization or arrangement in which a fiduciary owns or holds an interest, regardless of whether the entity is a taxpayer for federal income tax purposes.
 - (ii) "Entity" does not include:
 - (A) a trust or estate to which Section 22-3-402 applies;
 - (B) a business or other activity to which Section 22-3-403 applies that is not conducted by an entity described in Subsection (1)(b)(i);
 - (C) an asset-backed security; or
 - (D) an instrument or arrangement to which Section 22-3-416 applies.
 - (c) "Entity distribution" means a payment or transfer by an entity made to a person in the person's capacity as an owner or holder of an interest in the entity.
- (2) In this section, an attribute or action of an entity includes an attribute or action of any other entity in which the entity owns or holds an interest, including an interest owned or held indirectly through another entity.
- (3) Except as otherwise provided in Subsections (4)(b) through (d), a fiduciary shall allocate to income:
- (a) money received in an entity distribution; and

- (b) tangible personal property of nominal value received from the entity.
- (4) A fiduciary shall allocate to principal:
 - (a) property received in an entity distribution that is not:
 - (i) money; or
 - (ii) tangible personal property of nominal value;
 - (b) money received in an entity distribution in an exchange for part or all of the fiduciary's interest in the entity, to the extent the entity distribution reduces the fiduciary's interest in the entity relative to the interests of other persons that own or hold interests in the entity;
 - (c) money received in an entity distribution that the fiduciary determines or estimates is a capital distribution; and
 - (d) money received in an entity distribution from an entity that is:
 - (i) a regulated investment company or real estate investment trust if the money received is a capital gain dividend for federal income tax purposes; or
 - (ii) treated for federal income tax purposes in a comparable manner to the treatment described in Subsection (4)(d)(i).
- (5) A fiduciary may determine or estimate that money received in an entity distribution is a capital distribution:
 - (a) by relying without inquiry or investigation on a characterization of the entity distribution provided by or on behalf of the entity, unless the fiduciary:
 - (i) determines, on the basis of information known to the fiduciary, that the characterization is or may be incorrect; or
 - (ii) owns or holds more than 50% of the voting interest in the entity;
 - (b) by determining or estimating, on the basis of information known to the fiduciary or provided to the fiduciary by or on behalf of the entity, that the total amount of money and property received by the fiduciary in the entity distribution or a series of related entity distributions is or will be greater than 20% of the fair market value of the fiduciary's interest in the entity; or
 - (c) if neither Subsection (5)(a) nor (b) applies, by considering the factors in Subsection (6) and the information known to the fiduciary or provided to the fiduciary by or on behalf of the entity.
- (6) In making a determination or estimate under Subsection (5)(c), a fiduciary may consider:
 - (a) a characterization of an entity distribution provided by or on behalf of the entity;
 - (b) the amount of money or property received in:
 - (i) the entity distribution; or
 - (ii) what the fiduciary determines is or will be a series of related entity distributions;
 - (c) the amount described in Subsection (6)(b) compared to the amount that the fiduciary determines or estimates is, during the current or preceding accounting periods:
 - (i) the entity's operating income;
 - (ii) the proceeds of the entity's sale or other disposition of:
 - (A) all or part of the business or other activity conducted by the entity;
 - (B) one or more business assets that are not sold to customers in the ordinary course of the business or other activity conducted by the entity; or
 - (C) one or more assets other than business assets, unless the entity's primary activity is to invest in assets to realize gain on the disposition of all or some of the assets;
 - (iii) if the entity's primary activity is to invest in assets to realize gain on the disposition of all or some of the assets, the gain realized on the disposition;
 - (iv) the entity's regular, periodic entity distributions;
 - (v) the amount of money that the entity has accumulated;
 - (vi) the amount of money that the entity has borrowed;

- (vii) the amount of money that the entity has received from the sources described in Sections 22-3-407, 22-3-410, 22-3-411, and 22-3-412; and
- (viii) the amount of money that the entity has received from a source not otherwise described in this subsection; and
- (d) any other factor the fiduciary determines is relevant.
- (7) If, after applying Subsections (3) through (6), a fiduciary determines that a part of an entity distribution is a capital distribution but the fiduciary is in doubt about the amount of the entity distribution that is a capital distribution, the fiduciary shall allocate to principal the amount of the entity distribution that is in doubt.
- (8) If a fiduciary receives additional information about the application of this section to an entity distribution before the fiduciary has paid part of the entity distribution to a beneficiary, the fiduciary may consider the additional information before making the payment to the beneficiary and may change a decision to make the payment to the beneficiary.
- (9) If a fiduciary receives additional information about the application of this section to an entity distribution after the fiduciary has paid part of the entity distribution to a beneficiary, the fiduciary is not required to change or recover the payment to the beneficiary but may consider that information in determining whether to exercise the power to adjust under Section 22-3-203.

Amended by Chapter 348, 2020 General Session

22-3-402 Receipts from entity -- Distribution from trust or estate.

- (1) A fiduciary shall allocate:
 - (a) to income an amount received as a distribution of income, including a unitrust distribution under Part 3, Unitrust, from a trust or estate in which the fiduciary has an interest, other than an interest the fiduciary purchased in a trust that is an investment entity; and
 - (b) to principal an amount received as a distribution of principal from the trust or estate.
- (2) If a fiduciary purchases, or receives from a settlor, an interest in a trust that is an investment entity, Section 22-3-401, 22-3-415, or 22-3-416 applies to a receipt from the trust.

Amended by Chapter 348, 2020 General Session

22-3-403 Receipts from entity -- Business or other activity conducted by fiduciary.

- (1) This section applies to a business or other activity conducted by a fiduciary if the fiduciary determines that it is in the interests of the beneficiaries to account separately for the business or other activity instead of:
 - (a) accounting for the business or other activity as part of the fiduciary's general accounting records; or
 - (b) conducting the business or other activity through an entity described in Subsection 22-3-401(1)(b)(i).
- (2) A fiduciary may account separately under this section for the transactions of a business or other activity, whether or not assets of the business or other activity are segregated from other assets held by the fiduciary.
- (3) A fiduciary that accounts separately under this section for a business or other activity:
 - (a) may determine:
 - (i) the extent to which the net cash receipts of the business or other activity shall be retained for:
 - (A) working capital;
 - (B) the acquisition or replacement of fixed assets; and

- (C) other reasonably foreseeable needs of the business or other activity; and
 - (ii) the extent that the remaining net cash receipts are accounted for as principal or income in the fiduciary's general accounting records for the trust;
 - (b) may make a determination under Subsection (3)(a) separately and differently from the fiduciary's decisions concerning distributions of income or principal; and
 - (c) shall account for the net amount received from the sale of an asset of the business or other activity, other than a sale in the ordinary course of the business or other activity, as principal in the fiduciary's general accounting records for the trust, to the extent the fiduciary determines that the net amount received is no longer required in the conduct of the business or other activity.
- (4) A fiduciary may account separately under this section for activities that include:
- (a) retail, manufacturing, service, and other traditional business activities;
 - (b) farming;
 - (c) raising and selling livestock and other animals;
 - (d) managing rental properties;
 - (e) extracting minerals, water, and other natural resources;
 - (f) growing and cutting timber;
 - (g) an activity to which Section 22-3-414, 22-3-415, or 22-3-416 applies; and
 - (h) any other business conducted by the fiduciary.

Amended by Chapter 348, 2020 General Session

22-3-404 Receipts not normally apportioned -- Principal receipts.

A fiduciary shall allocate to principal:

- (1) to the extent not allocated to income under this chapter, an asset received from:
 - (a) an individual during the individual's lifetime;
 - (b) an estate;
 - (c) a trust on termination of an income interest; or
 - (d) a payor under a contract naming the fiduciary as beneficiary;
- (2) except as otherwise provided in this part, money or other property received from the sale, exchange, liquidation, or change in form of a principal asset;
- (3) an amount recovered from a third party to reimburse the fiduciary because of a disbursement described in Subsection 22-3-502(1) or for another reason to the extent not based on loss of income;
- (4) proceeds of property taken by eminent domain, except that proceeds awarded for loss of income in an accounting period are income if a current income beneficiary had a mandatory income interest during the accounting period;
- (5) net income received in an accounting period during which there is no beneficiary to which a fiduciary is permitted or required to distribute income; and
- (6) other receipts as provided in Part 3, Unitrust.

Amended by Chapter 348, 2020 General Session

22-3-405 Receipts not normally apportioned -- Rental property.

- (1) To the extent a fiduciary does not account for the management of rental property as a business under Section 22-3-403, the fiduciary shall allocate to income an amount received as rent of real or personal property, including an amount received for cancellation or renewal of a lease.

- (2) An amount received as a refundable deposit, including a security deposit or a deposit that is to be applied as rent for future periods:
 - (a) shall be added to principal and held subject to the terms of the lease, except as otherwise provided by law other than this chapter; and
 - (b) is not allocated to income or available for distribution to a beneficiary until the fiduciary's contractual obligations have been satisfied with respect to that amount.

Amended by Chapter 348, 2020 General Session

22-3-406 Receipts not normally apportioned -- Receipt on obligation to be paid in money.

- (1) This section does not apply to an obligation to which Section 22-3-409, 22-3-410, 22-3-411, 22-3-412, 22-3-414, 22-3-415, or 22-3-416 applies.
- (2) A fiduciary shall allocate to income, without provision for amortization of premium, an amount received as interest on an obligation to pay money to the fiduciary, including an amount received as consideration for prepaying principal.
- (3)
 - (a) A fiduciary shall allocate to principal an amount received from the sale, redemption, or other disposition of an obligation to pay money to the fiduciary.
 - (b) A fiduciary shall allocate to income the increment in value of a bond or other obligation for the payment of money bearing no stated interest but payable or redeemable, at maturity or another future time, in an amount that exceeds the amount in consideration of which it was issued.

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-407 Receipts not normally apportioned -- Insurance policy or contract.

- (1) This section does not apply to a contract to which Section 22-3-409 applies.
- (2)
 - (a) Except as otherwise provided in Subsection (3), a fiduciary shall allocate to principal the proceeds of a life insurance policy or other contract received by the fiduciary as beneficiary, including a contract that insures against damage to, destruction of, or loss of title to an asset.
 - (b) The fiduciary shall allocate dividends on an insurance policy:
 - (i) to income, to the extent premiums on the policy are paid from income; and
 - (ii) to principal, to the extent premiums on the policy are paid from principal.
- (3) A fiduciary shall allocate to income proceeds of a contract that insures the fiduciary against loss of:
 - (a) occupancy or other use by a current income beneficiary;
 - (b) income; or
 - (c) subject to Section 22-3-403, profits from a business.

Amended by Chapter 348, 2020 General Session

22-3-408 Receipts normally apportioned -- Insubstantial allocation not required.

- (1) If a fiduciary determines that an allocation between income and principal required by Section 22-3-409, 22-3-410, 22-3-411, 22-3-412, or 22-3-415 is insubstantial, the fiduciary may allocate the entire amount to principal, unless Subsection 22-3-203(5) applies to the allocation.
- (2) A fiduciary may presume an allocation is insubstantial under Subsection (1) if:

- (a) the amount of the allocation would increase or decrease net income in an accounting period, as determined before the allocation, by less than 10%; and
 - (b) the asset producing the receipt to be allocated has a fair market value less than 10% of the total fair market value of the assets owned or held by the fiduciary at the beginning of the accounting period.
- (3) The power to make a determination under Subsection (1) may be:
- (a) exercised by a co-fiduciary in the manner described in Subsection 22-3-203(6); or
 - (b) released or delegated for a reason described in Subsection 22-3-203(7) and in the manner described in Subsection 22-3-203(8).

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-409 Receipts normally apportioned -- Deferred compensation, annuity, or similar payment.

- (1) In this section:
- (a) "Internal income of a separate fund" means the amount determined under Subsection (2).
 - (b) "Marital trust" means a trust:
 - (i) of which the settlor's surviving spouse is the only current income beneficiary and is entitled to a distribution of all the current net income of the trust; and
 - (ii) that qualifies for a marital deduction with respect to the settlor's estate under Section 2056 of the Internal Revenue Code because:
 - (A) an election to qualify for a marital deduction under Section 2056(b)(7) of the Internal Revenue Code has been made; or
 - (B) the trust qualifies for a marital deduction under Section 2056(b)(5) of the Internal Revenue Code.
 - (c)
 - (i) "Payment" means an amount a fiduciary may receive over a fixed number of years or during the life of one or more individuals because of services rendered or property transferred to the payor in exchange for future amounts the fiduciary may receive.
 - (ii) "Payment" includes an amount received in money or property from the payor's general assets or from a separate fund created by the payor.
 - (d) "Separate fund" includes a private or commercial annuity, an individual retirement account, and a pension, profit-sharing, stock-bonus, or stock-ownership plan.
- (2) For each accounting period, and for each separate fund:
- (a) the fiduciary shall determine the internal income of the separate fund as if the separate fund were a trust subject to this chapter;
 - (b) if the fiduciary cannot determine the internal income of the separate fund under Subsection (2)(a), the internal income of the separate fund is deemed to equal 3% of the value of the separate fund, according to the most recent statement of value preceding the beginning of the accounting period; and
 - (c) if the fiduciary cannot determine the value of the separate fund under Subsection (2)(b), the value of the separate fund is deemed to equal the present value of the expected future payments, as determined under Section 7520 of the Internal Revenue Code, for the month preceding the beginning of the accounting period for which the computation is made.
- (3) A fiduciary shall allocate a payment received from a separate fund during an accounting period to income, to the extent of the internal income of the separate fund during the accounting period, and the balance to principal.
- (4) The fiduciary of a marital trust shall:

- (a) withdraw from a separate fund the amount the current income beneficiary of the trust requests the fiduciary to withdraw, not greater than the amount by which the internal income of the separate fund during the accounting period exceeds the amount the fiduciary otherwise receives from the separate fund during the accounting period;
 - (b) transfer from principal to income the amount the current income beneficiary requests the fiduciary to transfer, not greater than the amount by which the internal income of the separate fund during the accounting period exceeds the amount the fiduciary receives from the separate fund during the accounting period after the application of Subsection (4)(a); and
 - (c) distribute to the current income beneficiary as income:
 - (i) the amount of the internal income of the separate fund received or withdrawn during the accounting period; and
 - (ii) the amount transferred from principal to income under Subsection (4)(b).
- (5) For a trust, other than a marital trust, of which one or more current income beneficiaries are entitled to a distribution of all the current net income, the fiduciary shall transfer from principal to income the amount by which the internal income of a separate fund during the accounting period exceeds the amount the fiduciary receives from the separate fund during the accounting period.

Amended by Chapter 348, 2020 General Session

22-3-410 Receipts normally apportioned -- Liquidating asset.

- (1) In this section:
- (a) "Liquidating asset" means an asset whose value will diminish or terminate because the asset is expected to produce receipts for a limited time.
 - (b) "Liquidating asset" includes a leasehold, patent, copyright, royalty right, and right to receive payments during a period of more than one year under an arrangement that does not provide for the payment of interest on the unpaid balance.
- (2) This section does not apply to a receipt subject to Section 22-3-401, 22-3-409, 22-3-411, 22-3-412, 22-3-414, 22-3-415, 22-3-416, or 22-3-503.
- (3) A fiduciary shall allocate:
- (a) to income:
 - (i) a receipt produced by a liquidating asset, to the extent the receipt does not exceed 3% of the value of the asset; or
 - (ii) if the fiduciary cannot determine the value of the asset, 10% of the receipt; and
 - (b) to principal, the balance of the receipt.

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-411 Receipts normally apportioned -- Minerals, water, and other natural resources.

- (1) To the extent that a fiduciary does not account for a receipt from an interest in minerals, water, or other natural resources as a business under Section 22-3-403, the fiduciary shall allocate the receipt:
- (a) to income, to the extent received:
 - (i) as delay rental or annual rent on a lease;
 - (ii) as a factor for interest or the equivalent of interest under an agreement creating a production payment; or
 - (iii) on account of an interest in renewable water;

- (b) to principal, if received from a production payment, to the extent that Subsection (1)(a)(ii) does not apply; or
- (c) between income and principal equitably, to the extent received:
 - (i) on account of an interest in nonrenewable water;
 - (ii) as a royalty, shut-in-well payment, take-or-pay payment, or bonus; or
 - (iii) from a working interest or any other interest not provided for in Subsection (1)(a) or (b) or Subsection (1)(c)(i) or (ii).
- (2) This section applies to an interest owned or held by a fiduciary regardless of whether a settlor was extracting minerals, water, or other natural resources before the fiduciary owned or held the interest.
- (3) An allocation of a receipt under Subsection (1)(c) is presumed to be equitable if the amount allocated to principal is equal to the amount allowed by the Internal Revenue Code as a deduction for depletion of the interest.
- (4)
 - (a) If a fiduciary owns or holds an interest in minerals, water, or other natural resources before July 1, 2020, the fiduciary may allocate receipts from the interest as provided in this section or in the manner used by the fiduciary before July 1, 2020.
 - (b) If the fiduciary acquires an interest in minerals, water, or other natural resources on or after July 1, 2020, the fiduciary shall allocate receipts from the interest as provided in this section.

Amended by Chapter 348, 2020 General Session

22-3-412 Receipts normally apportioned -- Timber.

- (1) To the extent that a fiduciary does not account for receipts from the sale of timber and related products as a business under Section 22-3-403, the fiduciary shall allocate the net receipts:
 - (a) to income, to the extent that the amount of timber cut from the land does not exceed the rate of growth of the timber;
 - (b) to principal, to the extent that the amount of timber cut from the land exceeds the rate of growth of the timber or the net receipts are from the sale of standing timber;
 - (c) between income and principal if the net receipts are from the lease of land used for growing and cutting timber or from a contract to cut timber from land, by determining the amount of timber cut from the land under the lease or contract and applying the rules in Subsections (1)(a) and (b); or
 - (d) to principal, to the extent that advance payments, bonuses, and other payments are not allocated under Subsection (1)(a), (b), or (c).
- (2) In determining net receipts to be allocated under Subsection (1), a fiduciary shall deduct and transfer to principal a reasonable amount for depletion.
- (3) This section applies to land owned or held by a fiduciary regardless of whether a settlor was cutting timber from the land before the fiduciary owned or held the property.
- (4)
 - (a) If a fiduciary owns or holds an interest in land used for growing and cutting timber before July 1, 2020, the fiduciary may allocate net receipts from the sale of timber and related products as provided in this section or in the manner used by the fiduciary before July 1, 2020.
 - (b) If the fiduciary acquires an interest in land used for growing and cutting timber on or after July 1, 2020, the fiduciary shall allocate net receipts from the sale of timber and related products as provided in this section.

Amended by Chapter 348, 2020 General Session

22-3-413 Receipts normally apportioned -- Marital deduction property not productive of income.

- (1) If a trust received property for which a gift or estate tax marital deduction was allowed and the settlor's spouse holds a mandatory income interest in the trust, the spouse may require the trustee, to the extent the trust assets otherwise do not provide the spouse with sufficient income from or use of the trust assets to qualify for the deduction, to:
 - (a) make property productive of income;
 - (b) convert property to property productive of income within a reasonable time; or
 - (c) exercise the power to adjust under Section 22-3-203.
- (2) The trustee may decide which action or combination of actions in Subsection (1) to take.

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-414 Receipts normally apportioned -- Derivative or option.

- (1) In this section:
 - (a) "Derivative" means a contract, instrument, other arrangement, or combination of contracts, instruments, or other arrangements, for which the value, rights, and obligations are, in whole or in part, dependent on or derived from an underlying tangible or intangible asset, group of tangible or intangible assets, index, or occurrence of an event.
 - (b) "Derivative" includes stocks, fixed income securities, and financial instruments and arrangements based on indices, commodities, interest rates, weather-related events, and credit-default events.
- (2) To the extent that a fiduciary does not account for a transaction in derivatives as a business under Section 22-3-403, the fiduciary shall allocate:
 - (a) 10% of receipts from the transaction and 10% of disbursements made in connection with the transaction to income; and
 - (b) the balance to principal.
- (3) Subsection (4) applies if:
 - (a) a fiduciary:
 - (i) grants an option to buy property from a trust, regardless of whether the trust owns the property when the option is granted;
 - (ii) grants an option that permits another person to sell property to the trust; or
 - (iii) acquires an option to buy property for the trust or an option to sell an asset owned by the trust; and
 - (b) the fiduciary or other owner of the asset is required to deliver the asset if the option is exercised.
- (4) If this subsection applies, the fiduciary shall allocate 10% to income and the balance to principal of the following amounts:
 - (a) an amount received for granting the option;
 - (b) an amount paid to acquire the option; and
 - (c) gain or loss realized on the exercise, exchange, settlement, offset, closing, or expiration of the option.

Amended by Chapter 348, 2020 General Session

22-3-415 Receipts normally apportioned -- Asset-backed security.

- (1) Except as otherwise provided in Subsection (2), a fiduciary shall allocate:

- (a) to income, a receipt from or related to an asset-backed security, to the extent that the payor identifies the payment as being from interest or other current return; and
 - (b) to principal, the balance of the receipt.
- (2) If a fiduciary receives one or more payments in exchange for part or all of the fiduciary's interest in an asset-backed security, including a liquidation or redemption of the fiduciary's interest in the security, the fiduciary shall allocate:
- (a) to income, 10% of receipts from the transaction and 10% of disbursements made in connection with the transaction; and
 - (b) to principal, the balance of the receipts and disbursements.

Amended by Chapter 348, 2020 General Session

22-3-416 Receipts normally apportioned -- Other financial instrument or arrangement.

- (1) A fiduciary shall allocate receipts from or related to a financial instrument or arrangement not otherwise addressed by this chapter.
- (2) The allocation must be consistent with Sections 22-3-414 and 22-3-415.

Enacted by Chapter 495, 2019 General Session

Part 5
Allocation of Disbursements

22-3-501 Disbursement from income.

Subject to Section 22-3-504, and except as otherwise provided in Subsection 22-3-601(3)(b) or (c), a fiduciary shall disburse from income:

- (1) one-half of:
 - (a) the regular compensation of the fiduciary and any person providing investment advisory, custodial, or other services to the fiduciary, to the extent income is sufficient; and
 - (b) an expense for an accounting, judicial or nonjudicial proceeding, or other matter that involves both income and successive interests, to the extent income is sufficient;
- (2) the balance of the disbursements described in Subsection (1), to the extent a fiduciary that is an independent person determines that making those disbursements from income would be in the interests of the beneficiaries;
- (3) another ordinary expense incurred in connection with administration, management, or preservation of property and distribution of income, including interest, an ordinary repair, regularly recurring tax assessed against principal, and an expense of an accounting, judicial or nonjudicial proceeding, or other matter that involves primarily an income interest, to the extent income is sufficient; and
- (4) a premium on insurance covering loss of a principal asset or income from or use of the asset.

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-502 Disbursement from principal.

- (1) Subject to Section 22-3-505, and except as otherwise provided in Subsection 22-3-601(3)(b) or (c), a fiduciary shall disburse from principal:

- (a) the balance of the disbursements described in Subsections 22-3-501(1) and (3), after application of Subsection 22-3-501(2);
 - (b) the fiduciary's compensation calculated on principal as a fee for acceptance, distribution, or termination;
 - (c) a payment of an expense to prepare for or execute a sale or other disposition of property;
 - (d) a payment on the principal of a trust debt;
 - (e) a payment of an expense of an accounting, judicial or nonjudicial proceeding, or other matter that involves primarily principal, including a proceeding to construe the terms of the trust or protect property;
 - (f) a payment of a premium for insurance, including title insurance, not described in Subsection 22-3-501(4), of which the fiduciary is the owner and beneficiary;
 - (g) a payment of an estate or inheritance tax or other tax imposed because of the death of a decedent, including penalties, apportioned to the trust; and
 - (h) a payment:
 - (i) related to environmental matters, including:
 - (A) reclamation;
 - (B) assessing environmental conditions;
 - (C) remedying and removing environmental contamination;
 - (D) monitoring remedial activities and the release of substances;
 - (E) preventing future releases of substances;
 - (F) collecting amounts from persons liable or potentially liable for the costs of activities described in Subsections (1)(h)(i)(A) through (E);
 - (G) penalties imposed under environmental laws or regulations;
 - (H) other actions to comply with environmental laws or regulations;
 - (I) statutory or common law claims by third parties; and
 - (J) defending claims based on environmental matters; and
 - (ii) for a premium for insurance for matters described in Subsection (1)(h)(i).
- (2) If a principal asset is encumbered with an obligation that requires income from the asset to be paid directly to a creditor, the fiduciary shall transfer from principal to income an amount equal to the income paid to the creditor in reduction of the principal balance of the obligation.

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-503 Transfer from income to principal for depreciation.

- (1) In this section, "depreciation" means a reduction in value due to wear, tear, decay, corrosion, or gradual obsolescence of a tangible asset having a useful life of more than one year.
- (2) A fiduciary may transfer to principal a reasonable amount of the net cash receipts from a principal asset that is subject to depreciation, but may not transfer any amount for depreciation:
 - (a) of the part of real property used or available for use by a beneficiary as a residence;
 - (b) of tangible personal property held or made available for the personal use or enjoyment of a beneficiary; or
 - (c) under this section, to the extent the fiduciary accounts:
 - (i) under Section 22-3-410 for the asset; or
 - (ii) under Section 22-3-403 for the business or other activity in which the asset is used.
- (3) An amount transferred to principal under this section need not be separately held.

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-504 Reimbursement of income from principal.

- (1) If a fiduciary makes or expects to make an income disbursement described in Subsection (2), the fiduciary may transfer an appropriate amount from principal to income in one or more accounting periods to reimburse income.
- (2) To the extent the fiduciary has not been and does not expect to be reimbursed by a third party, income disbursements to which Subsection (1) applies include:
 - (a) an amount chargeable to principal but paid from income because principal is illiquid;
 - (b) a disbursement made to prepare property for sale, including improvements and commissions; and
 - (c) a disbursement described in Subsection 22-3-502(1).
- (3) If an asset whose ownership gives rise to an income disbursement becomes subject to a successive interest after an income interest ends, the fiduciary may continue to make transfers under Subsection (1).

Repealed and Re-enacted by Chapter 495, 2019 General Session

22-3-505 Reimbursement of principal from income.

- (1) If a fiduciary makes or expects to make a principal disbursement described in Subsection (2), the fiduciary may transfer an appropriate amount from income to principal in one or more accounting periods to reimburse principal or provide a reserve for future principal disbursements.
- (2) To the extent that a fiduciary has not been and does not expect to be reimbursed by a third party, principal disbursements to which Subsection (1) applies include:
 - (a) an amount chargeable to income but paid from principal because income is not sufficient;
 - (b) the cost of an improvement to principal, regardless of whether the improvement is a change to an existing asset or the construction of a new asset, including a special assessment;
 - (c) a disbursement made to prepare property for rental, including tenant allowances, leasehold improvements, and commissions;
 - (d) a periodic payment on an obligation secured by a principal asset, to the extent that the amount transferred from income to principal for depreciation is less than the periodic payment; and
 - (e) a disbursement described in Subsection 22-3-502(1).
- (3) If an asset whose ownership gives rise to a principal disbursement becomes subject to a successive interest after an income interest ends, the fiduciary may continue to make transfers under Subsection (1).

Amended by Chapter 348, 2020 General Session

22-3-506 Income taxes.

- (1) A tax required to be paid by a fiduciary that is based on receipts allocated to income shall be paid from income.
- (2) A tax required to be paid by a fiduciary that is based on receipts allocated to principal shall be paid from principal, even if the tax is called an income tax by the taxing authority.
- (3) Subject to Subsection (4) and Sections 22-3-504, 22-3-505, and 22-3-507, a tax required to be paid by a fiduciary on a share of an entity's taxable income in an accounting period shall be paid from:
 - (a) income and principal proportionately to the allocation between income and principal of receipts from the entity in the period; and

- (b) principal, to the extent that the tax exceeds the receipts from the entity in the accounting period.
- (4) After applying Subsections (1) through (3), a fiduciary shall adjust income or principal receipts, to the extent that the taxes the fiduciary pays are reduced because of a deduction for a payment made to a beneficiary.

Amended by Chapter 348, 2020 General Session

22-3-507 Adjustment between income and principal because of taxes.

- (1) A fiduciary may make an adjustment between income and principal to offset the shifting of economic interests or tax benefits between current income beneficiaries and successor beneficiaries that arises from:
 - (a) an election or decision the fiduciary makes regarding a tax matter, other than a decision to claim an income tax deduction to which Subsection (2) applies;
 - (b) an income tax or other tax imposed on the fiduciary or a beneficiary as a result of a transaction involving the fiduciary or a distribution by the fiduciary; or
 - (c) ownership by the fiduciary of an interest in an entity, a part of whose taxable income, regardless of whether the taxable income is distributed, is includable in the taxable income of the fiduciary or a beneficiary.
- (2)
 - (a) If the amount of an estate tax marital or charitable deduction is reduced because a fiduciary deducts an amount paid from principal for income tax purposes instead of deducting the amount for estate tax purposes and, as a result, estate taxes paid from principal are increased and income taxes paid by the fiduciary or a beneficiary are decreased, the fiduciary shall charge each beneficiary that benefits from the decrease in income tax to reimburse the principal from which the increase in estate tax is paid.
 - (b) The total reimbursement must equal the increase in the estate tax, to the extent that the principal used to pay the increase would have qualified for a marital or charitable deduction but for the payment.
 - (c) The share of the reimbursement for each fiduciary or beneficiary whose income taxes are reduced shall be the same as the fiduciary's or beneficiary's share of the total decrease in income tax.
- (3) A fiduciary that charges a beneficiary under Subsection (2) may offset the charge by obtaining payment from the beneficiary, withholding an amount from future distributions to the beneficiary, or adopting another method or combination of methods.

Amended by Chapter 348, 2020 General Session

Part 6
Death of Individual or Termination of Income Interest

22-3-601 Determination and distribution of net income.

- (1) This section applies when:
 - (a) the death of an individual results in the creation of an estate or trust; or
 - (b) an income interest in a trust terminates, regardless of whether the trust continues or is distributed.

- (2) A fiduciary of an estate or trust with an income interest that terminates shall:
 - (a) determine, in accordance with Subsection (8) and Part 4, Allocation of Receipts, Part 5, Allocation of Disbursements, and Part 7, Apportionment at Beginning and End of Income Interest, the amount of net income and net principal receipts received from property specifically given to a beneficiary; and
 - (b) distribute the net income and net principal receipts to the beneficiary that is to receive the specific property.
- (3) Subject to Subsection (4), a fiduciary shall determine the income and net income of an estate or income interest in a trust that terminates, other than the amount of net income determined in accordance with Subsection (2), and in accordance with Part 4, Allocation of Receipts, Part 5, Allocation of Disbursements, and Part 7, Apportionment at Beginning and End of Income Interest, and by:
 - (a) including in net income all income from property used or sold to discharge liabilities;
 - (b) paying from income or principal, in the fiduciary's discretion:
 - (i) fees of attorneys, accountants, and fiduciaries;
 - (ii) court costs and other expenses of administration;
 - (iii) interest on estate taxes, inheritance taxes, and other taxes imposed because of the decedent's death; and
 - (c) paying from principal other disbursements made or incurred in connection with the settlement of the estate or the winding up of an income interest that terminates, including:
 - (i) to the extent authorized by the decedent's will, the terms of the trust, or applicable law, debts, funeral expenses, disposition of remains, family allowances, estate and inheritance taxes, and other taxes imposed because of the decedent's death; and
 - (ii) related penalties that are apportioned, by the decedent's will, the terms of the trust, or applicable law, to the estate or income interest that terminates.
- (4) A fiduciary may pay the expenses from income of property passing to a trust for which the fiduciary claims a federal estate tax marital or charitable deduction only to the extent:
 - (a) the payment of the expenses from income will not cause the reduction or loss of the deduction; or
 - (b) the fiduciary makes an adjustment under Subsection 22-3-507(2).
- (5) If a decedent's will, the terms of a trust, or applicable law provides for the payment of interest or the equivalent of interest to a beneficiary that receives a pecuniary amount outright, the fiduciary shall make the payment from net income determined under Subsection (3) or from principal to the extent that net income is insufficient.
- (6) If a beneficiary is to receive a pecuniary amount outright from a trust after an income interest ends because of an income beneficiary's death, and no payment of interest or the equivalent of interest is provided for by the terms of the trust or applicable law, the fiduciary shall pay the interest or the equivalent of interest to which the beneficiary would be entitled under applicable law if the pecuniary amount were required to be paid under a will.
- (7) A fiduciary shall distribute net income remaining after payments required by Subsections (5) and (6) in the manner described in Section 22-3-602 to all other beneficiaries, including a beneficiary that receives a pecuniary amount in trust, even if the beneficiary holds an unqualified power to withdraw assets from the trust or other presently exercisable general power of appointment over the trust.
- (8)
 - (a) A fiduciary may not reduce principal or income receipts from property described in Subsection (2) because of a payment described in Section 22-3-501 or 22-3-502, to the extent the decedent's will, the terms of the trust, or applicable law requires the fiduciary to make the

payment from assets other than the property or to the extent the fiduciary recovers or expects to recover the payment from a third party.

- (b) The net income and principal receipts from the property shall be determined by including the amount the fiduciary receives or pays regarding the property, whether the amount accrued or became due before, on, or after the date of the decedent's death or an income interest's terminating event, and making a reasonable provision for an amount the estate or income interest may become obligated to pay after the property is distributed.

Amended by Chapter 348, 2020 General Session

22-3-602 Distribution to successor beneficiary.

- (1)
 - (a) Except to the extent Part 3, Unitrust, applies for a beneficiary that is a trust, each beneficiary described in Subsection 22-3-601(6) is entitled to receive a share of the net income equal to the beneficiary's fractional interest in undistributed principal assets, using values of the undistributed principal assets as of the distribution date.
 - (b) If a fiduciary makes more than one distribution of assets to beneficiaries to which this section applies, each beneficiary, including a beneficiary that does not receive part of the distribution, is entitled, as of each distribution date, to a share of the net income the fiduciary received after the decedent's death, an income interest's other terminating event, or the preceding distribution by the fiduciary.
- (2) In determining a beneficiary's share of net income under Subsection (1):
 - (a) the beneficiary is entitled to receive a share of the net income equal to the beneficiary's fractional interest in the undistributed principal assets immediately before the distribution date;
 - (b) the beneficiary's fractional interest under Subsection (2)(a) shall be calculated:
 - (i) on the aggregate value of the assets as of the distribution date without reducing the value by any unpaid principal obligation; and
 - (ii) without regard to:
 - (A) property specifically given to a beneficiary under the decedent's will or the terms of the trust; and
 - (B) property required to pay pecuniary amounts not in trust; and
 - (c) the distribution date under Subsection (2)(a) may be the date on which the fiduciary calculates the value of the assets if that date is reasonably near the date on which the assets are distributed.
- (3) To the extent that a fiduciary does not distribute under this section all the collected but undistributed net income to each beneficiary on or before a distribution date, the fiduciary shall maintain records showing the interest of each beneficiary in the net income.
- (4) If this section applies to income from an asset, a fiduciary may apply Subsection (2) to net gain or loss realized from the disposition of the asset after the decedent's death, an income interest's terminating event, or the preceding distribution by the fiduciary.

Amended by Chapter 348, 2020 General Session

Part 7
Apportionment at Beginning and End of Income Interest

22-3-701 When right to income begins and ends.

- (1)
 - (a) An income beneficiary is entitled to net income in accordance with the terms of the trust from the date on which an income interest begins.
 - (b) The income interest begins on the date that is specified in the terms of the trust or, if no date is specified, on the date an asset becomes subject to:
 - (i) the trust for the current income beneficiary; or
 - (ii) a successive interest for a successor beneficiary.
- (2) An asset becomes subject to a trust under Subsection (1)(b)(i):
 - (a) for an asset that is transferred to the trust during the settlor's life, on the date the asset is transferred;
 - (b) for an asset that becomes subject to the trust because of a decedent's death, on the date of the decedent's death, even if there is an intervening period of administration of the decedent's estate; or
 - (c) for an asset that is transferred to a fiduciary by a third party because of a decedent's death, on the date of the decedent's death.
- (3) An asset becomes subject to a successive interest under Subsection (1)(b)(ii) on the day after the preceding income interest ends, as determined under Subsection (4), even if there is an intervening period of administration to wind up the preceding income interest.
- (4) An income interest ends on the day before an income beneficiary dies or another terminating event occurs or on the last day of a period during which there is no beneficiary to which a fiduciary is permitted or required to distribute income.

Amended by Chapter 348, 2020 General Session

22-3-702 Apportionment of receipts and disbursements when decedent dies or income interest begins.

- (1) A fiduciary shall allocate an income receipt or disbursement, other than a receipt to which Subsection 22-3-601(2) applies, to principal if the due date of the income receipt or disbursement occurs before the date on which:
 - (a) for an estate, the decedent died; or
 - (b) for a trust or successive interest, an income interest begins.
- (2) If the due date of a periodic income receipt or disbursement occurs on or after the date on which a decedent died or an income interest begins, a fiduciary shall allocate the receipt or disbursement to income.
- (3) If an income receipt or disbursement is not periodic or has no due date, a fiduciary shall:
 - (a) treat the receipt or disbursement under this section as accruing from day to day; and
 - (b) allocate:
 - (i) to principal, the portion of the receipt or disbursement accruing before the date on which a decedent died or an income interest begins; and
 - (ii) to income, the balance.
- (4) A receipt or disbursement is periodic under Subsections (2) and (3) if:
 - (a) the receipt or disbursement shall be paid at regular intervals under an obligation to make payments; or
 - (b) the payor customarily makes payments at regular intervals.
- (5)
 - (a) An item of income or obligation is due under this section on the date on which the payor is required to make a payment.

- (b) If a payment date is not stated, there is no due date.
- (6) Distributions to shareholders or other owners from an entity to which Section 22-3-401 applies are due:
 - (a) on the date fixed by or on behalf of the entity for determining the persons entitled to receive the distribution;
 - (b) if no date is fixed, on the date of the decision by or on behalf of the entity to make the distribution; or
 - (c) if no date is fixed and the fiduciary does not know the date of the decision by or on behalf of the entity to make the distribution, on the date the fiduciary learns of the decision.

Amended by Chapter 348, 2020 General Session

22-3-703 Apportionment when income interest ends.

- (1) In this section:
 - (a) "Undistributed income" means net income received on or before the date on which an income interest ends.
 - (b) "Undistributed income" does not include an item of income or expense that is due or accrued or net income that has been added or is required to be added, to principal under the terms of the trust.
- (2) Except as otherwise provided in Subsection (3), when a mandatory income interest of a beneficiary ends, the fiduciary shall pay the beneficiary's share of the undistributed income that is not disposed of under the terms of the trust to the beneficiary or, if the beneficiary does not survive the date that the interest ends, to the beneficiary's estate.
- (3) If a beneficiary has an unqualified power to withdraw more than 5% of the value of a trust immediately before an income interest ends:
 - (a) the fiduciary shall allocate to principal the undistributed income from the portion of the trust that may be withdrawn; and
 - (b) Subsection (2) applies only to the balance of the undistributed income.
- (4) When a fiduciary's obligation to pay a fixed annuity or a fixed fraction of the value of assets ends, the fiduciary shall prorate the final payment as required to preserve an income tax, gift tax, estate tax, or other tax benefit.

Amended by Chapter 348, 2020 General Session

Part 8
Miscellaneous Provisions

22-3-801 Uniformity of application and construction.

In applying and construing this uniform act, consideration must be given to the need to promote uniformity of the law with respect to the uniform act's subject matter among states that enact it.

Amended by Chapter 348, 2020 General Session

22-3-802 Relation to Electronic Signatures in Global and National Commerce Act.

This chapter modifies, limits, or supersedes the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. Sec. 7001 et seq., but does not modify, limit, or supersede Section

101(c) of that act, 15 U.S.C. Sec. 7001(c), or authorize electronic delivery of any of the notices described in Section 103(b) of that act, 15 U.S.C. Sec. 7003(b).

Enacted by Chapter 495, 2019 General Session

22-3-803 Application to trust or estate.

This chapter applies to a trust or estate existing or created on or after July 1, 2020, except as otherwise expressly provided in the terms of the trust or this chapter.

Amended by Chapter 348, 2020 General Session

22-3-804 Severability.

If any provision of this chapter or the application of this chapter to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this chapter that can be given effect without the invalid provision or application, and to this end the provisions of this chapter are severable.

Amended by Chapter 348, 2020 General Session

Chapter 5
Uniform Act for Simplification of Fiduciary Security Transfers

22-5-1 Title.

This chapter is known as the "Uniform Act for Simplification of Fiduciary Security Transfers."

Amended by Chapter 20, 1995 General Session

22-5-2 Definitions.

In this chapter, unless the context otherwise requires:

- (1) "Assignment" includes any written stock power, bond power, bill of sale, deed, declaration of trust or other instrument of transfer.
- (2) "Claim of beneficial interest" includes a claim of any interest by a decedent's legatee, distributee, heir or creditor, a beneficiary under a trust, a ward, a beneficial owner of a security registered in the name of a nominee, or a minor owner of a security registered in the name of a custodian, or a claim of any similar interest, whether the claim is asserted by the claimant or by a fiduciary or by any other authorized person in his behalf, and includes a claim that the transfer would be in breach of fiduciary duties.
- (3) "Corporation" means a private or public corporation, association or trust issuing a security.
- (4) "Fiduciary" means an executor, administrator, trustee, guardian, committee, conservator, curator, tutor, custodian or nominee.
- (5) "Person" includes an individual, a corporation, government or governmental subdivision or agency, business trust, estate, trust, partnership or association, two or more persons having a joint or common interest, or any other legal or commercial entity.
- (6) "Security" includes any share of stock, bond, debenture, note or other security issued by a corporation which is registered as to ownership on the books of the corporation.

- (7) "Transfer" means a change on the books of a corporation in the registered ownership of a security.
- (8) "Transfer agent" means a person employed or authorized by a corporation to transfer securities issued by the corporation.

Amended by Chapter 20, 1995 General Session

22-5-3 Registration of security in the name of a fiduciary.

A corporation or transfer agent registering a security in the name of a person who is a fiduciary or who is described as a fiduciary is not bound to inquire into the existence, extent, or correct description of the fiduciary relationship, and thereafter the corporation and its transfer agent may assume without inquiry that the newly registered owner continues to be the fiduciary until the corporation or transfer agent receives written notice that the fiduciary is no longer acting as such with respect to the particular security.

Enacted by Chapter 46, 1961 General Session

22-5-4 Assignment of security by a fiduciary.

Except as otherwise provided in this chapter, a corporation or transfer agent making a transfer of a security pursuant to an assignment by a fiduciary:

- (1) may assume without inquiry that the assignment, even though to the fiduciary himself or to his nominee, is within his authority and capacity and is not in breach of his fiduciary duties;
- (2) may assume without inquiry that the fiduciary has complied with any controlling instrument and with the law of the jurisdiction governing the fiduciary relationship, including any law requiring the fiduciary to obtain court approval of the transfer; and
- (3) is not charged with notice of and is not bound to obtain or examine any court record or any recorded or unrecorded document relating to the fiduciary relationship or the assignment, even though the record or document is in its possession.

Amended by Chapter 20, 1995 General Session

22-5-5 Assignment of security by a fiduciary -- Evidence of appointment or incumbency.

A corporation or transfer agent making a transfer pursuant to an assignment by a fiduciary who is not the registered owner shall obtain the following evidence of appointment or incumbency:

- (1) in the case of a fiduciary appointed or qualified by a court, a certificate issued by or under the direction or supervision of that court or an officer thereof and dated within 60 days before the transfer; or
- (2) in any other case, a copy of a document showing the appointment or a certificate issued by or on behalf of a person reasonably believed by the corporation or transfer agent to be responsible or, in the absence of such a document or certificate, other evidence reasonably deemed by the corporation or transfer agent to be appropriate. Corporations and transfer agents may adopt standards with respect to evidence of appointment or incumbency under this subsection provided such standards are not manifestly unreasonable. Neither the corporation nor transfer agent is charged with notice of the contents of any document obtained pursuant to this subsection except to the extent that the contents relate directly to the appointment or incumbency.

Amended by Chapter 20, 1995 General Session

22-5-6 Adverse claims to transfer of security by a fiduciary -- Notice.

- (1) A person asserting a claim of beneficial interest adverse to the transfer of a security pursuant to an assignment by a fiduciary may give the corporation or transfer agent written notice of the claim. The corporation or transfer agent is not put on notice unless the written notice identifies the claimant, the registered owner and the issue of which the security is a part, provides an address for communications directed to the claimant and is received before the transfer. Nothing in this act relieves the corporation or transfer agent of any liability for making or refusing to make the transfer after it is so put on notice, unless it proceeds in the manner authorized in Subsection (2).
- (2) As soon as practicable after the presentation of a security for transfer pursuant to an assignment by a fiduciary, a corporation or transfer agent which has received notice of a claim of beneficial interest adverse to the transfer may send notice of the presentation by registered or certified mail to the claimant at the address given by him. If the corporation or transfer agent so mails such a notice it shall withhold the transfer for 30 days after the mailing and shall then make the transfer unless restrained by a court order.

Amended by Chapter 20, 1995 General Session

22-5-7 Nonliability of corporation or transfer agent.

A corporation or transfer agent incurs no liability to any person by making a transfer or otherwise acting in a manner authorized by this act.

Enacted by Chapter 46, 1961 General Session

22-5-8 Nonliability of third persons.

- (1) No person who participates in the acquisition, disposition, assignment or transfer of a security by or to a fiduciary including a person who guarantees the signature of the fiduciary is liable for participation in any breach of fiduciary duty by reason of failure to inquire whether the transaction involves such a breach unless it is shown that he acted with actual knowledge that the proceeds of the transaction were being or were to be used wrongfully for the individual benefit of the fiduciary or that the transaction was otherwise in breach of duty.
- (2) If a corporation or transfer agent makes a transfer pursuant to an assignment by a fiduciary, a person who guaranteed the signature of the fiduciary is not liable on the guarantee to any person to whom the corporation or transfer agent by reason of this act incurs no liability.
- (3) This section does not impose any liability upon the corporation or its transfer agent.

Amended by Chapter 20, 1995 General Session

22-5-9 Territorial application of law to rights and duties of corporation or third persons.

- (1) The rights and duties of a corporation and its transfer agents in registering a security in the name of a fiduciary or in making a transfer of a security pursuant to an assignment by a fiduciary are governed by the law of the jurisdiction under whose laws the corporation is organized.
- (2) This chapter applies to the rights and duties of a person other than the corporation and its transfer agents with regard to acts and omissions in this state in connection with the acquisition, disposition, assignment, or transfer of a security by or to a fiduciary and of a person who guarantees in this state the signature of a fiduciary in connection with such a transaction.

Amended by Chapter 20, 1995 General Session

22-5-10 Tax obligations not affected by act.

This act does not affect any obligation of a corporation or transfer agent with respect to estate, inheritance, succession or other taxes imposed by the laws of this state.

Enacted by Chapter 46, 1961 General Session

22-5-11 Construction.

This act shall be so construed as to effectuate its general purpose to make uniform the law of those states which enact it.

Enacted by Chapter 46, 1961 General Session

Chapter 6 Retirement Trusts

22-6-1 Retirement trusts exempted from rules against perpetuities, accumulations or suspension of power of alienation.

No trust heretofore or hereafter created by an employer as part of a pension, stock bonus, disability, death benefit, profit sharing, retirement or similar plan, primarily for the benefit of some or all of such employers' employees, their families, appointees or beneficiaries, to which contributions are made by such employer or employees, or by both employer and employees, which trust is for the purpose of distributing to such employees or their families, beneficiaries, or appointees, the earnings or principal, or both, shall be deemed to be invalid by reason of any rule against perpetuities, or against accumulations, or concerning the suspension of the power of alienation of title to property, or any other law restricting or limiting the duration of trusts; and such a trust may continue in perpetuity or for such time as may be necessary to accomplish the purposes for which it was created.

Enacted by Chapter 174, 1961 General Session

22-6-2 Income permitted to accumulate.

The income arising from or earned by the property held in such trust within the classifications mentioned, may be permitted to accumulate in accordance with the terms of such trust, for so long a time as may be permitted by the instrument creating the trust, or if no time is so specified, for such time as the trustee or trustees may deem necessary to accomplish the purposes for which the trust was created.

Enacted by Chapter 174, 1961 General Session