

**22-3-504 Transfers from income to reimburse principal.**

- (1) If a trustee makes or expects to make a principal disbursement described in this section, the trustee may transfer an appropriate amount from income to principal in one or more accounting periods to reimburse principal or to provide a reserve for future principal disbursements.
- (2) Principal disbursements to which Subsection (1) applies include the following, but only to the extent that the trustee has not been and does not expect to be reimbursed by a third party:
  - (a) an amount chargeable to income but paid from principal because it is unusually large, including extraordinary repairs;
  - (b) a capital improvement to a principal asset, whether in the form of changes to an existing asset or the construction of a new asset, including special assessments;
  - (c) disbursements made to prepare property for rental, including tenant allowances, leasehold improvements, and broker's commissions;
  - (d) periodic payments 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 payments; and
  - (e) disbursements described in Subsection 22-3-502(1)(g).
- (3) If the asset whose ownership gives rise to the disbursements becomes subject to a successive income interest after an income interest ends, a trustee may continue to transfer amounts from income to principal as provided in Subsection (1).

Enacted by Chapter 285, 2004 General Session