

UNIFORM PRINCIPAL AND INCOME ACT (EXCERPT)
Act 159 of 2004

555.811 Receipts from minerals, water, or other natural resources; allocations.

Sec. 411. (1) Except as provided in subsection (4), to the extent that a trustee accounts for receipts from an interest in minerals or other natural resources pursuant to this section, the trustee shall allocate them as follows:

(a) If received as nominal delay rental or nominal annual rent on a lease, a receipt must be allocated to income.

(b) If received from a production payment, a receipt must be allocated to income if and to the extent that the agreement creating the production payment provides a factor for interest or its equivalent. The balance must be allocated to principal.

(c) If an amount received as a royalty, shut-in-well payment, take-or-pay payment, bonus, or delay rental is more than nominal, 90% must be allocated to principal and the balance to income.

(d) If an amount is received from a working interest or any other interest not provided for in subdivision (a), (b), or (c), 90% of the net amount received must be allocated to principal and the balance to income.

(2) Except as provided in subsection (4), a trustee shall allocate to income an amount received on account of an interest in water that is renewable. If the interest in water is not renewable, the trustee shall allocate 90% of the amount to principal and the balance to income.

(3) This act applies whether or not a decedent or donor was extracting minerals, water, or other natural resources before the interest became subject to the trust.

(4) If a trust owns an interest in minerals, water, or other natural resources on the effective date of this act, the trustee may allocate receipts from the interest as provided in this act or in the manner used by the trustee before the effective date of this act. If the trust acquires an interest in minerals, water, or other natural resources after the effective date of this act, the trustee shall allocate receipts from the interest as provided in this act.

History: 2004, Act 159, Eff. Sept. 1, 2004.