

1 AN ACT concerning civil law.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Principal and Income Act is amended by
5 changing Sections 10 and 15 as follows:

6 (760 ILCS 15/10) (from Ch. 30, par. 510)

7 Sec. 10. Disposition of natural resources.

8 (a) If any part of the principal consists of a right to
9 receive royalties, overriding or limited royalties, working
10 interests, production payments, net profit interests, or other
11 interest in minerals, oil, gas or other natural resources in,
12 on or under land, except timber, water, soil, sod, dirt, peat,
13 turf or mosses, the receipts from taking the natural resources
14 from the land shall be allocated as follows:

15 (1) if received as rent on a lease or extension
16 payments on a lease, the receipts are income;

17 (2) if received from a production payment, the receipts
18 are income to the extent of any factor for interest or its
19 equivalent provided in the governing instrument. There
20 shall be allocated to principal the fraction of the balance
21 of the receipts which the unrecovered cost of the
22 production payment bears to the balance owed on the
23 production payment, exclusive of any factor for interest or

1 its equivalent. The receipts not allocated to principal are
2 income;

3 (3) except for oil or gas from non-coal formations, if
4 received as a royalty, overriding or limited royalty, or
5 bonus, or from a working, net profit, or any other interest
6 in minerals, ~~oil, gas,~~ or other natural resources, receipts
7 not provided for in the ~~preceding~~ paragraphs of this
8 Section shall be apportioned on a yearly basis in
9 accordance with this paragraph whether or not any natural
10 resource was being taken from the land at the time the
11 trust was established. The trustee shall allocate to
12 principal as an allowance for depletion the greater of (i)
13 that portion, if any, of the gross receipts that is allowed
14 as a depletion deduction for federal income tax purposes
15 and (ii) 10% of the gross receipts, except that that
16 allocation shall not exceed 50% of the net receipts
17 remaining after payment of all expenses, direct and
18 indirect, computed without the allowance for depletion.
19 The trustee shall allocate the balance of the gross
20 receipts, after payment therefrom of all expenses, direct
21 and indirect, to income; -

22 (4) with respect only to nontrust estates described in
23 Section 15 of this Act, for oil or gas from non-coal
24 formations, proceeds from the sale of such minerals
25 produced and received as royalty, overriding royalty,
26 limited royalty, working interest, net profit interest,

1 time-limited interest or term interest, or lease bonus
2 shall be deemed income.

3 (b) If an item of depletable property of a type specified
4 in this Section is held on the effective date of this Act,
5 receipts from the property shall be allocated in the manner
6 used before the effective date of this Act, but as to all
7 depletable property acquired after the effective date of this
8 Act by an existing or new trust, the method of allocation
9 provided herein shall be used.

10 (c) If any part of the principal consists of timber, water,
11 soil, sod, dirt, peat, turf, or mosses, the receipts from those
12 resources shall be allocated in accordance with Section 3.

13 (Source: P.A. 87-714.)

14 (760 ILCS 15/15) (from Ch. 30, par. 515)

15 Sec. 15. Non-trust estates.

16 (a) The provisions of this Act, as far as applicable, shall
17 apply to nontrust estates subject to any agreement of the
18 parties or any specific direction by statute or otherwise, and
19 the references to trusts and trustees shall be read as applying
20 to nontrust estates and to legal tenants (including life
21 tenants, tenants for terms of years, or any other period of
22 tenancy) and remaindermen as the context requires; except that
23 if either a legal tenant or a remainderman has incurred a
24 charge for his benefit without the consent or agreement of the
25 other, he shall pay that charge in full.

1 (b) If the costs of an improvement, including special taxes
2 or assessments, representing an addition to value of property
3 forming part of the principal cannot reasonably be expected to
4 outlast the legal tenancy, the costs shall be paid by the legal
5 tenant. If the improvement can reasonably be expected to
6 outlast the legal tenancy, only a portion of the costs shall be
7 paid by the legal tenant and the balance by the remainderman.
8 The portion payable by the legal tenant shall be that fraction
9 of the total found by dividing the present value of the legal
10 tenancy by the present value of an estate of the same form as
11 that of the legal tenancy but limited to a period corresponding
12 to the reasonably expected duration of the improvement. The
13 computation of present value of the legal tenancy shall be
14 computed on the basis of two-thirds of the value determined by
15 use of the tables set forth under Section 7520 of the Internal
16 Revenue Code of 1986 and the regulations thereunder for the
17 calculation of the values of annuities, life estates, and terms
18 for years, and no other evidence of duration or expectancy
19 shall be considered, except that any legal tenancy or remainder
20 interest acquired for consideration based on those tables shall
21 be computed on the basis of the tables in effect at the time
22 acquired. The method of computing the present value of a legal
23 tenancy established in this subsection shall apply to all legal
24 tenancies and remainders created after January 1, 1992 and to
25 all legal tenancies and remainders which were acquired for
26 consideration if the amount of the consideration was based on

1 the tables set forth under Section 2031 or 7520 of the Internal
2 Revenue Code then in effect.

3 (c) If a legal tenant has leased any lands for agricultural
4 or farming operations and his legal tenancy terminates on or
5 after the day any rent has become due and payable, he or his
6 representative is entitled to recover that rent from the
7 lessee; and if a legal tenancy terminates before the rent under
8 the lease is fully paid, the legal tenant or his representative
9 is entitled to recover from the lessee:

10 (1) that portion of the rent not due which the number
11 of days from the beginning of the period for which the rent
12 is not due to the date of the termination of the legal
13 tenancy bears to the total number of days in the period for
14 which the rent is unpaid; and

15 (2) that portion of the landlord's share of actual
16 expenses paid before the termination of the legal tenancy
17 and not previously recovered by him, which the number of
18 days in the lease period on and after the termination bears
19 to the total number of days in the lease period.

20 (d) This Section does not apply to life estates and
21 remainder interests in oil or gas from non-coal formations, or
22 royalties or overriding royalties created under leases of such
23 minerals.

24 (Source: P.A. 82-390; 87-714.)