

1 AN ACT concerning trusts.

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 Section 3 as follows:

6 (760 ILCS 15/3) (from Ch. 30, par. 503)

7 Sec. 3. Scope of Act; rules of administration.

8 (a) This Act governs the ascertainment of income and
9 principal and the apportionment of receipts and expenses in
10 all cases where a trust is established unless otherwise
11 stated hereinafter, to the extent not inconsistent with the
12 provisions of the instrument. A person establishing a trust
13 may make provision in the instrument for the manner of
14 ascertainment of income and principal and the apportionment
15 of receipts and expenses or grant discretion to the trustee
16 to do so and such provision, where not otherwise contrary to
17 law, shall control notwithstanding this Act.

18 (b) A trust shall be administered with due regard to the
19 respective interests of income beneficiaries and
20 remaindermen. A trust is so administered with respect to the
21 allocation of receipts and expenses if a receipt is credited
22 or an expense is charged to income or principal or partly to
23 each:

24 (1) in accordance with the terms of the instrument,
25 notwithstanding contrary provisions of this Act; or

26 (2) in the absence of any contrary terms of the
27 instrument, in accordance with the provisions of this Act
28 or, if the trustee in the trustee's discretion determines
29 that application of the provisions of this Act would
30 result in a substantial inequity to either the income
31 beneficiaries or the remaindermen, in accordance with

1 what the trustee believes is reasonable and equitable in
2 view of the interests of those entitled to income as well
3 as those entitled to principal; or

4 (3) if neither of the preceding rules of
5 administration is applicable, in accordance with what the
6 trustee believes is reasonable and equitable in view of
7 the interests of those entitled to income as well as of
8 those entitled to principal.

9 (c) If the instrument or paragraph (2) of subsection (b)
10 gives the trustee discretion in crediting a receipt or
11 charging an expense to income or principal or partly to each,
12 no inference of imprudence or partiality arises from the fact
13 that the trustee makes an allocation other than in accordance
14 with a provision of this Act or determines not to do so.

15 (d) To the extent not otherwise provided in the
16 instrument or this Act, receipts shall be credited when
17 actually received by the trustee and expenses shall be
18 charged when actually made by the trustee, except that the
19 trustee may elect to credit receipts and charge expenses in
20 any other reasonable manner that complies with the provisions
21 of subsection (b) and is not inconsistent with the terms of
22 the instrument.

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

24 Section 99. Effective date. This Act takes effect upon
25 becoming law.