

AN ACT concerning civil law.

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

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

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

(Text of Section before amendment by P.A. 100-519)

Sec. 10. Disposition of natural resources.

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

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

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

production payment, exclusive of any factor for interest or its equivalent. The receipts not allocated to principal are income;

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

(b) If an item of depletable property of a type specified in this Section is held on the effective date of this Act, receipts from the property shall be allocated in the manner used before the effective date of this Act, but as to all depletable property acquired after the effective date of this

Act by an existing or new trust, the method of allocation provided herein shall be used.

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

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

(Text of Section after amendment by P.A. 100-519)

Sec. 10. Disposition of natural resources.

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

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

(2) if received from a production payment, the receipts are income to the extent of any factor for interest or its equivalent provided in the governing instrument. There shall be allocated to principal the fraction of the balance of the receipts which the unrecovered cost of the production payment bears to the balance owed on the production payment, exclusive of any factor for interest or its equivalent. The receipts not allocated to principal are

income;

(3) except for oil or gas from non-coal formations held in nontrust estates and by legal tenants and remaindermen as described in Section 15 of this Act, if received as a royalty, overriding or limited royalty, or bonus, or from a working, net profit, or any other interest in minerals, oil, gas, or other natural resources, receipts not provided for in the preceding paragraphs of this Section shall be apportioned on a yearly basis in accordance with this paragraph whether or not any natural resource was being taken from the land at the time the trust was established. The trustee shall allocate to principal as an allowance for depletion the greater of (i) that portion, if any, of the gross receipts that is allowed as a depletion deduction for federal income tax purposes and (ii) 10% of the gross receipts, except that that allocation shall not exceed 50% of the net receipts remaining after payment of all expenses, direct and indirect, computed without the allowance for depletion. The trustee shall allocate the balance of the gross receipts, after payment therefrom of all expenses, direct and indirect, to income;

(4) Only for oil or gas from non-coal formations held in nontrust estates and by legal tenants and remaindermen as described in Section 15 of this Act, proceeds from the sale of such minerals produced and received as royalty, overriding royalty, limited royalty, working interest, net

~~profit interest, time-limited interest or term interest, or lease bonus shall be deemed income with respect only to nontrust estates described in Section 15 of this Act, for oil or gas from non-coal formations, proceeds from the sale of such minerals produced and received as royalty, overriding royalty, limited royalty, working interest, net profit interest, time limited interest or term interest, or lease bonus shall be deemed income.~~

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

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

(Source: P.A. 100-519, eff. 6-1-18.)

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

(Text of Section before amendment by P.A. 100-519)

Sec. 15. Non-trust estates.

(a) The provisions of this Act, as far as applicable, shall apply to nontrust estates subject to any agreement of the parties or any specific direction by statute or otherwise, and

the references to trusts and trustees shall be read as applying to nontrust estates and to legal tenants (including life tenants, tenants for terms of years, or any other period of tenancy) and remaindermen as the context requires; except that if either a legal tenant or a remainderman has incurred a charge for his benefit without the consent or agreement of the other, he shall pay that charge in full.

(b) If the costs of an improvement, including special taxes or assessments, representing an addition to value of property forming part of the principal cannot reasonably be expected to outlast the legal tenancy, the costs shall be paid by the legal tenant. If the improvement can reasonably be expected to outlast the legal tenancy, only a portion of the costs shall be paid by the legal tenant and the balance by the remainderman. The portion payable by the legal tenant shall be that fraction of the total found by dividing the present value of the legal tenancy by the present value of an estate of the same form as that of the legal tenancy but limited to a period corresponding to the reasonably expected duration of the improvement. The computation of present value of the legal tenancy shall be computed on the basis of two-thirds of the value determined by use of the tables set forth under Section 7520 of the Internal Revenue Code of 1986 and the regulations thereunder for the calculation of the values of annuities, life estates, and terms for years, and no other evidence of duration or expectancy shall be considered, except that any legal tenancy or remainder

interest acquired for consideration based on those tables shall be computed on the basis of the tables in effect at the time acquired. The method of computing the present value of a legal tenancy established in this subsection shall apply to all legal tenancies and remainders created after January 1, 1992 and to all legal tenancies and remainders which were acquired for consideration if the amount of the consideration was based on the tables set forth under Section 2031 or 7520 of the Internal Revenue Code then in effect.

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

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

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

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

(Text of Section after amendment by P.A. 100-519)

Sec. 15. Non-trust estates.

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

(b) If the costs of an improvement, including special taxes or assessments, representing an addition to value of property forming part of the principal cannot reasonably be expected to outlast the legal tenancy, the costs shall be paid by the legal tenant. If the improvement can reasonably be expected to outlast the legal tenancy, only a portion of the costs shall be paid by the legal tenant and the balance by the remainderman. The portion payable by the legal tenant shall be that fraction of the total found by dividing the present value of the legal tenancy by the present value of an estate of the same form as that of the legal tenancy but limited to a period corresponding to the reasonably expected duration of the improvement. The

computation of present value of the legal tenancy shall be computed on the basis of two-thirds of the value determined by use of the tables set forth under Section 7520 of the Internal Revenue Code of 1986 and the regulations thereunder for the calculation of the values of annuities, life estates, and terms for years, and no other evidence of duration or expectancy shall be considered, except that any legal tenancy or remainder interest acquired for consideration based on those tables shall be computed on the basis of the tables in effect at the time acquired. The method of computing the present value of a legal tenancy established in this subsection shall apply to all legal tenancies and remainders created after January 1, 1992 and to all legal tenancies and remainders which were acquired for consideration if the amount of the consideration was based on the tables set forth under Section 2031 or 7520 of the Internal Revenue Code then in effect.

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

(1) that portion of the rent not due which the number of days from the beginning of the period for which the rent is not due to the date of the termination of the legal

tenancy bears to the total number of days in the period for which the rent is unpaid; and

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

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

(Source: P.A. 100-519, eff. 6-1-18.)

Section 95. No acceleration or delay. Where this Act makes changes in a statute that is represented in this Act by text that is not yet or no longer in effect (for example, a Section represented by multiple versions), the use of that text does not accelerate or delay the taking effect of (i) the changes made by this Act or (ii) provisions derived from any other Public Act.