**637.505 Income taxes.**

1. A tax required to be paid by a trustee based on receipts allocated to income must be paid from income.

2. A tax required to be paid by a trustee based on receipts allocated to principal must be paid from principal, even if the tax is called an income tax by the taxing authority.

3. A tax required to be paid by a trustee on the trust's share of an entity's taxable income must be paid proportionately, according to all of the following principles:

*a.* From income, to the extent that receipts from the entity are allocated to income.

*b.* From principal, to the extent that the following principles are observed:

(1) Receipts from the entity are allocated to principal.

(2) The trust's share of the entity's taxable income exceeds the total receipts in paragraph *"a"* and in subparagraph (1).

4. For purposes of this section, receipts allocated to principal or income shall be reduced by the amount distributed to a beneficiary from principal or income for which the trust receives a deduction in calculating the tax.

99 Acts, ch 124, §28