

637.423 Minerals, water, and other natural resources.

1. Receipts from an interest in minerals or other natural resources must be allocated according to the type of payment, as follows:

- a.* If received as nominal delay rental or 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 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, bonus, or delay rental is more than nominal, ninety percent 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 paragraph "*a*", "*b*", or "*c*", ninety percent of the net amount received must be allocated to principal and the balance to income.

2. An amount received on account of an interest in water that is renewable must be allocated to income. If the water is not renewable, ninety percent of the amount must be allocated to principal and the balance to income.

3. This chapter applies without regard to whether 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 or before July 1, 2000, the trustee may allocate receipts from the interest as provided in this section or in the manner used by the trustee before July 1, 2000. If the trust acquires an interest in minerals, water, or other natural resources after July 1, 2000, the trustee shall allocate receipts from the interest as provided in this section.

99 Acts, ch 124, §19; 2000 Acts, ch 1154, §39