

**637.504 Transfers from income to reimburse principal.**

1. If a trustee makes or expects to make a principal disbursement described in [this section](#), the trustee may transfer an appropriate amount from income to principal in one or more accounting periods to reimburse principal or to provide a reserve for future principal disbursements.

2. Principal disbursements to which [subsection 1](#) applies include all of the following, but only to the extent that the trustee has not been and does not expect to be reimbursed by a third party:

*a.* An amount chargeable to income but paid from principal because it is unusually large, including extraordinary repairs.

*b.* A capital improvement to a principal asset, whether in the form of changes to an existing asset or the construction of a new asset, including special assessments.

*c.* Disbursements made to prepare property for rental, including leasehold improvements and broker's commissions.

*d.* Periodic payments on an obligation secured by a principal asset to the extent that the amount transferred from income to principal for depreciation is less than the periodic payments.

*e.* Disbursements described in [section 637.502, subsection 1](#), paragraph "g".

3. If the asset whose ownership gives rise to the disbursements becomes subject to a successive income interest after an income interest ends, a trustee may continue to transfer amounts from income to principal as provided in [subsection 1](#).

[99 Acts, ch 124, §27](#)