

**637.503 Transfers from income to principal for depreciation.**

1. For purposes of [this section](#), “*depreciation*” means a reduction in value of a fixed asset having a useful life of more than one year due to wear, tear, decay, corrosion, or gradual obsolescence.

2. A trustee may transfer to principal a reasonable amount of the net cash receipts from a principal asset that is subject to depreciation, but a transfer shall not be made for depreciation under any of the following circumstances:

a. When the depreciation involves the portion of real property used or available for use by a beneficiary as a residence, or tangible personal property held or made available for the personal use or enjoyment of a beneficiary.

b. When the depreciation occurs during the administration of a decedent’s estate.

c. If the trustee is accounting under [section 637.403](#) for the business or activity in which the asset is used.

3. An amount transferred to principal need not be held as a separate fund.

[99 Acts, ch 124, §26](#)

Referred to in [§637.422](#)