

CHAPTER 231.

USES AND TRUSTS.

231.01	Abolished in part.	231.25	Trustee's resignation.
231.02	Executed uses confirmed.	231.26	Removal of trustee.
231.03	Right of possession and profits a legal estate.	231.27	Appointment of new trustee.
231.04	Active trusts not affected.	231.28	Appointment when trustee declines to act.
231.05	Passive trusts abolished.	231.29	Resident trustee to account to a foreign trustee.
231.06	Implied trusts, etc.	231.295	Foreign trustees may sue, make conveyances, etc.
231.07	Resulting trusts.	231.30	Recording order of appointment.
231.08	Fraud against creditors.	231.31	Sale of realty by trustee.
231.09	Section 231.07 not to apply, when.	231.33	Special trustees; appointment.
231.10	Bona fide purchase.	231.34	Enforcement of public trust.
231.11	For what express trusts may be created.	231.35	Guardian ad litem.
231.12	Devises as powers.	231.36	Nontestamentary trust proceedings in county court.
231.13	Profits of land liable to creditors.	231.40	Uniform principal and income act.
231.14	Express trusts; powers in trust.	231.45	Menominee Indian tribe corporation securities, alienation restrained.
231.15	Legal title in beneficiary.	231.46	Powers of successor trustee.
231.16	Trustees take estate, when.	231.47	Devises and bequests to testamentary trusts.
231.17	Section 231.16 qualified.	231.49	Trustees appointed.
231.18	Reversion in grantor.	231.50	Revocation; termination; modification.
231.19	Alienation restrained.	231.51	Power to revoke.
231.20	Instruments creating trusts to be recorded.	231.52	Mandatory powers.
231.201	Trustee's powers presumed where not recorded.	231.55	Valuation used in distribution of trust assets.
231.205	Life use by settlor of trusts; eligibility for bequests and devises; powers.	231.60	Small trusts benefiting incompetents.
231.21	Trust estates.		
231.22	Misapplication of payment to trustee.		
231.23	Trustees' estate, termination of.		
231.24	Court to execute trust, when.		

231.01 Abolished in part. Uses and trusts, except as authorized and modified in this chapter, are abolished; and every estate and interest in lands shall be deemed a legal right, cognizable as such in the courts of law, except when otherwise provided in these statutes.

231.02 Executed uses confirmed. Every estate which is now held as an use, executed under the laws of this state as they formerly existed, is confirmed as a legal estate.

231.03 Right of possession and profits a legal estate. Every person who, by virtue of any grant, assignment or devise, now is or hereafter shall be entitled to the actual possession of lands and the receipt of the rents and profits thereof, in law or in equity, shall be deemed to have a legal estate therein of the same quality and duration and subject to the same conditions as his beneficial interest.

231.04 Active trusts not affected. Section 231.03 shall not divest the estate of any trustees in any existing trust where the title of such trustees is not merely nominal, but is connected with some power of actual disposition or management in relation to the lands which are the subject of the trust.

231.05 Passive trusts abolished. Every disposition of lands, whether by deed or devise, hereafter made, except as otherwise provided in these statutes, shall be directly to the person in whom the right to the possession and the profits shall be intended to be vested and not to any other, to the use of or in trust for such person, and if made to one or more persons in trust for or to the use of another no estate or interest, legal or equitable, shall vest in the trustee.

231.06 Implied trusts, etc. The preceding sections of this chapter shall not extend to trusts arising or resulting by implication of law, nor be construed to prevent or affect the creation of such express trusts as are hereinafter authorized and defined.

231.07 Resulting trusts. When a grant for a valuable consideration shall be made to one person and the consideration therefor shall be paid by another, no use or trust shall result in favor of the person by whom such payment is made; but the title shall vest in the person named as the alienee in such conveyance, subject only to the provisions of section

231.08 Fraud against creditors. Every such conveyance shall be presumed fraudulent as against the creditors of the person paying the consideration, and when a fraudulent

231.08.

intent is not disproved a trust shall result in favor of such creditors to the extent that may be necessary to satisfy their just demands.

231.09 Section 231.07 not to apply, when. Section 231.07 shall not extend to cases where the alienee named in the conveyance shall have taken the same as an absolute conveyance in his own name, without the knowledge or consent of the person paying the consideration, or when such alienee, in violation of some trust, shall have purchased the lands so conveyed with moneys belonging to another person.

231.10 Bona fide purchase. No implied or resulting trust shall be alleged or established to defeat or prejudice the title of a purchaser for a valuable consideration and without notice of such trust.

231.11 For what express trusts may be created. Express trusts may be created for any or either of the following purposes:

(1) To sell lands for the benefit of creditors.

(2) To sell, mortgage or lease lands for the benefit of legatees or for the purpose of satisfying any charge thereon.

(3) To receive the rents and profits of land and apply them to the use of any person during the life of such person or for any shorter term, subject to the rules prescribed in the last preceding chapter.

(4) To receive the rents and profits of lands and to accumulate the same for the benefit of any married woman or for any of the purposes and within the limits prescribed in the preceding chapter.

(5) For the beneficial interests of any person or persons, when such trust is fully expressed and clearly defined upon the face of the instrument creating it, subject to the limitations as to time and the exceptions thereto relating to literary and charitable corporations prescribed in this title.

(6) For perpetually keeping in repair and preserving any tomb, monument or gravestone, or any cemetery; and any cemetery company, association or corporation is authorized to receive money or property in trust for the purpose aforesaid and to apply the income thereof to the purposes of the trust.

(7) (a) No trust for charitable or public purposes, whether in real or personal property, shall be invalid for indefiniteness or uncertainty where power to designate the particular charitable or public purpose or purposes to be promoted thereby is given by the instrument creating the same to the trustees, or to any other person or persons.

(b) No trust or other gift for charitable or public purposes whether in real or personal property shall be invalid because of failure by the donor to indicate the method by which the purpose of the trust or gift is to be accomplished.

(c) In the absence of a clearly expressed intention to the contrary, no trust or other gift for charitable or public purposes whether in real or personal property shall be invalid because the specific method provided by the donor for the accomplishment of the general purpose indicated by him is or becomes for any reason impracticable, impossible or unlawful.

(d) Where the fulfillment of the special purpose expressed in a trust or other gift for charitable or public purposes is or becomes impracticable, impossible or unlawful, it shall be the duty of the courts by a liberal construction of the trust or gift to ascertain the general purpose of the donor and to carry it into effect in the nearest practicable manner to the expressed special purpose; provided, however, that the right of visitation of a living donor shall not be held to be impaired by anything contained in this subsection.

(8) It shall be unlawful to limit or restrict in any manner whatsoever the use of real or personal property or the rent or income thereof, owned, possessed or enjoyed by any person to the extent of depriving the state department of public welfare or county of legal settlement of its right to recover the actual per capita cost of maintenance furnished an inmate of any state institution, or any county institution, in which the state or county of legal settlement is chargeable with all or a part of the inmate's maintenance.

See note to 231.21, citing Will of Wright, 12 W (2d) 375, 107 NW (2d) 146.

231.12 Devises as powers. A devise of land to executors or other trustees to be sold or mortgaged, where such trustees are not also empowered to receive the rents and profits, shall vest no estate in the trustees; but the trust shall be valid as a power and the lands shall descend to the heirs or pass to the devisees of the testator subject to the execution of the power.

231.13 Profits of land liable to creditors. When a trust is created to receive the rents and profits of lands, and no valid direction for accumulation is given, the surplus

of such rents and profits, beyond the sum that may be necessary for the education and support of the person for whose benefit the trust is created, shall be liable in equity to the claims of the creditors of such person in the same manner as other personal property which cannot be reached by an execution at law.

231.14 Express trusts; powers in trust. When an express trust shall be created for any purpose not enumerated in the preceding sections of this chapter no estate shall vest in the trustees; but the trust, if directing or authorizing the performance of any act which may be lawfully performed under a power, shall be valid as a power in trust, subject to the provisions in relation to such powers contained in the next succeeding chapter.

231.15 Legal title in beneficiary. In every case where the trust shall be valid as a power the lands to which the trust relates shall remain in or descend to the persons otherwise entitled, subject to the execution of the trust as a power.

231.16 Trustees take estate, when. Every express trust, valid as such in its creation, except as herein otherwise provided, shall vest the whole estate in the trustees, subject only to the execution of the trust; and the person for whose benefit the trust was created shall take no estate or interest in the lands, but may enforce the performance of the trust.

231.17 Section 231.16 qualified. Section 231.16 shall not prevent any person creating a trust from declaring to whom the lands to which the trusts relates shall belong in the event of the failure or determination of the trust, nor shall it prevent him from granting or devising such lands subject to the execution of the trust; and every such grantee shall have a legal estate in the lands as against all persons except the trustees and those lawfully claiming under them.

231.18 Reversion in grantor. Whenever an express trust is created every estate and interest not embraced in the trust and not otherwise disposed of shall remain in or revert to the person creating the trust or his heirs as a legal estate.

231.19 Alienation restrained. No person beneficially interested in a trust for the receipt of the rents and profits of lands can assign or in any manner dispose of such interest; but the rights and interests of every person for whose benefit a trust for the payment of a sum in gross is created are assignable.

See note to 230.35, citing Estate of Tantillo, 24 W (2d) 19, 127 NW (2d) 798.

231.20 Instruments creating trusts to be recorded. When an express trust is created, but is not contained or declared in the conveyance to the trustees, such conveyance shall be deemed absolute as against the subsequent creditors of the trustees not having notice of the trust and as against purchasers from such trustees without notice and for a valuable consideration. On and after July 1, 1921, a grantee from a trustee shall be charged with notice of only such terms of the trust as are contained in a duly recorded written instrument. Every writing creating or expressing the terms of a trust relating to real estate or the proceeds thereof executed prior to July 1, 1921, may be recorded with like effect as if it were duly executed, witnessed and acknowledged.

231.201 Trustee's powers presumed where not recorded. Where a person designated as a trustee has obtained an estate or interest in real property by a conveyance as defined in s. 235.50 or by devise, but his authority and powers are not set forth in a recorded instrument, it shall be conclusively presumed that such person is a trustee of a valid express trust and has full power of conveyance as so defined.

231.205 Life use by settlor of trusts; eligibility for bequests and devises; powers. (1) Any instrument declaring or creating a trust, when otherwise valid, shall not be held an invalid trust, or an attempted testamentary disposition, because it contains any of the following powers, whether exercisable by the settlor or another or both:

- (a) To revoke, alter, amend or modify any or all provisions of the trust.
- (b) To exercise any power or option over any property transferred to or held in the trust.
- (c) To add to or withdraw from the trust all or any part thereof at one time or at different times.
- (ca) To have the right to borrow on or to surrender insurance policies payable to the trust.
- (d) To direct during the lifetime of the settlor or another, the persons and organizations to whom or on behalf of whom the income shall be paid or principal distributed.

(2) A trust otherwise valid, created by a written instrument, whether or not it contains any or all of the powers specified in sub. (1), shall have existence independent of

any will and be eligible to receive property bequeathed, devised or appointed by the settlor and others, whatever the size or character of its corpus or the terms of the instrument, unless the instrument specifically states otherwise. No reference to any such trust in any will shall cause the trust assets to be included in the property administered as part of the testator's estate.

(3) Any or all of the powers listed in sub. (1) may be exercised without affecting the validity of the trust, its nontestamentary character and its independent existence and eligibility for the receipt of property bequeathed, devised and appointed to it, and the exercise of a power, under sub. (1) (a) to amend, alter or modify the provisions of the instrument shall be effective to change such provisions as to property devised, bequeathed or appointed by will to the trust even though the settlor's will is not re-executed or republished after the exercise of such power.

(4) Nothing in this section shall be construed as altering or changing in any way the existing law or rules of law relating to the rights of widows, the taxation of transfers of property in trust, or trusts and wills other than those specified in this section.

(5) This section shall be applicable to trusts created and wills executed both before and after May 14, 1955 by persons who are living on or after May 14, 1955.

(6) Any amendment, alteration or modification of a trust subject to this section shall be effective to change the provisions thereof as to property devised, bequeathed or appointed by will to the trust even though the will is not re-executed or republished after the effective date of the amendment, alteration or modification, if the settlor or testator is alive on or after July 26, 1957.

(7) A trust otherwise valid, whether or not it contains any or all of the powers specified in sub. (1), shall be eligible to receive life insurance proceeds payable to it as beneficiary and all such proceeds shall be administered in accordance with the terms of the trust as they exist at the death of the insured. The right to receive such proceeds as beneficiary shall constitute a corpus sufficient to the validity of any such trust.

History: 1963 c. 269.

231.21 Trust estates. (1) **CONTRAVENTION VOID.** When the trust shall be expressed in the instrument creating the estate, every sale, conveyance or other act of the trustees in contravention of the trust shall be absolutely void.

(2) **SUPPORT OF WARD.** Provided, however, in case a beneficiary is an infant whose maintenance and education is not sufficiently provided for by the trust, and said infant has no other property and no parents able to provide him suitable maintenance or education, or in case a beneficiary is an adult whose maintenance is not sufficiently provided for by the trust, who has become, or is unable to take care of himself the court having jurisdiction over the trust estate, may, in his judgment the rights and interests of others in said trust, will not be thereby prejudiced, authorize and adjudge the appropriation and application of so much of the trust fund, or the income thereof, or the proceeds of the trust property, or the principal of such loans as are hereinafter provided for, as he may deem necessary or proper for the care, maintenance or education of such beneficiary, to be used for said purpose, and may require the trustee to pay the same to the guardian of said infant, or to said adult, or to the guardian of said adult, if he be incompetent or insane.

(3) **SALE.** To accomplish such purpose, said court may authorize, direct and compel the sale and conveyance of part, or all the property which is the subject of the trust, discharged thereof, if the rights and interest in said property, owned by others, will not in the judgment of the court, be thereby injured or impaired. In case such property be real estate, or an interest therein, the proceedings for the sale thereof, shall be the same as are provided for in chapter 296.

(4) **LOANS.** If such sale, conveyance or appropriation cannot be made without injury to the rights of others, or if the court deems it advisable, he may authorize the guardian of such infant, such adult or the guardian of such adult, to negotiate and contract for a loan or loans of such sum or sums, as he may deem necessary or proper to be used for the maintenance or education of such infant or adult, payable when such beneficiary shall become entitled to his share of the trust property, with interest not exceeding the legal rate, and by his order, said court may charge the share of such beneficiary in the trust property with full and complete liability for the payment of such loan, and may authorize and require the trustee to execute and deliver to the payee of the same a certificate or other writing evidencing said contract and liability, and may authorize and require him as such trustee, to secure the sums borrowed as aforesaid by executing and delivering to such payee, a pledge of the trust property or a mortgage thereon. Such obligation shall be paid when due, out of said share of the trust property, and such pledge or mortgage shall be valid as a lien upon the share of said beneficiary in the trust property, and may be enforced in the usual manner.

(5) **JUDGMENTS.** Said trust may be contravened in the manner aforesaid, in whole or in part, and the orders and judgments of said court shall be binding upon all parties, but the remaining property, proceeds or funds not appropriated as aforesaid, shall be protected, preserved, managed and disposed of as nearly as practical, in accordance with the provisions of the trust.

Where a testator by his will set up a trust primarily for the benefit of an adult, incompetent son who was a charity patient in a public mental institution and for whose support the testator was not liable, and the will also made a named bible society a contingent beneficiary, and expressly declared that the trust fund was to be conserved for benefits not provided at public expense, and that only certain specified extra comforts and necessities were to be financed by the trust, the state department of public welfare was not entitled as a matter of right under (2) to a requested order directing the trustee to pay to the department the principal of the trust fund and its accumulated interest, nor to an adjudication that the society has no interest in the trust fund. Will of Wright, 12 W (2d) 375, 107 NW (2d) 146.

231.22 Misapplication of payment to trustee. No person who shall actually and in good faith make any payment to a trustee, which the trustee, as such, is authorized to receive, shall be responsible for the application thereof according to the trust; nor shall any right or title derived by such person from the trustee, in consideration of such payment, be impeached or called in question in consequence of any misapplication of such payment by the trustee.

231.23 Trustees' estate, termination of. When the purposes for which an express trust shall have been created shall have ceased the estate of the trustee shall also cease.

231.24 Court to execute trust, when. Upon the death of the surviving trustee of an express trust the trust shall not descend to his heirs nor pass to his personal representatives, but the trust, if then unexecuted, shall vest in the circuit court, with all the powers and duties of the original trustees, and shall be executed by some person appointed for that purpose under the direction of the court.

231.25 Trustee's resignation. Upon the petition of any trustee of an express trust the circuit court may accept his resignation and discharge him from the trust under such regulations as shall be established by the court for that purpose and upon such terms as the rights and interests of the persons interested in the execution of the trust may require.

231.26 Removal of trustee. Upon the complaint of any person interested in the execution of an express trust, and under such regulations as shall be established by the court for that purpose, the circuit court may remove any trustee who shall have violated or threatened to violate his trust, or who shall be insolvent, or whose insolvency shall be apprehended, or who for any other cause shall be deemed an unsuitable person to execute the trust.

231.27 Appointment of new trustee. The circuit court shall have power to appoint a new trustee in the place of a trustee resigned or removed; and when, in consequence of such resignation or removal, there shall be no acting trustee the court in its discretion may appoint new trustees or cause the trust to be executed by one of its officers under its direction.

231.28 Appointment when trustee declines to act. Whenever any trustee appointed by the party creating the trust shall decline to act as such the circuit court may appoint a new trustee in his place and vest in such new trustee all the powers and all the title to the property, within the jurisdiction of such court, which would have been possessed by or vested in the original trustee if he had accepted the trust. Such appointment may be made upon the petition of any person interested in the execution of the trust. Notice of the time and place when the petition will be presented shall be served at least 20 days before such presentation upon all known parties interested in the subject of the trust who reside in this state and upon every living trustee, unless such trustee in writing waives such notice or consent to such order without notice, service to be made in the same manner as the service of a summons of said court. However, if any of the parties interested are unknown or nonresidents of the state and such fact is made to appear by the verified petition or by affidavit the court or judge shall, upon the filing of the petition, order a notice thereof and the time and place for hearing the same to be published as a class 3 notice, under ch. 985, in the county where the petition is filed, and such notice shall be so published before the order appointing the trustee is made.

History: 1965 c. 252.

231.29 Resident trustee to account to a foreign trustee. When the party creating a trust shall have been or be a resident of another state or a foreign country and the subject of the trust shall be mainly within the jurisdiction of such other state or foreign country, and a trustee shall have been appointed by any court in such other state or country, a

circuit court appointing a trustee in this state may, in its discretion, authorize such trustee to account for the rents and profits or proceeds of sale derived by him from any part of the trust estate in this state to the trustee appointed in such other state or country, to be by him applied for the purposes of the trust.

231.295 Foreign trustees may sue, make conveyances, etc. When a trustee of any express trust shall have been duly appointed in any other state, territory or country, either as an original or substitute trustee, and no trustee shall have been appointed in this state upon that part of the trust estate situate in this state, such foreign trustee may have recorded in the office of any register of deeds of any county in which any part of such trust estate may be situated his original appointment or a copy thereof duly authenticated, as required to make the same receivable in evidence, and thereafter may exercise any powers over such trust estate, including sales and conveyances and assignments thereof or of any part thereof; and may prosecute or defend any action or proceeding relating thereto and have all the rights, remedies and defenses in regard to the property, real and personal, and interests, legal and equitable, and to collect any demands of such estate which such a trustee could have if he were so appointed within and pursuant to the laws of this state.

231.30 Recording order of appointment. A certified copy of any order appointing or removing a trustee, made by any court under the provisions of this chapter, may be recorded in the office of the register of deeds of any county in which any of the trust property is situated, and such record or a certified copy thereof shall be presumptive evidence of such order and that all the proceedings previous to making the same were regular.

231.31 Sale of realty by trustee. The circuit court of any county in which real estate or any interest therein is held in trust may, on the petition of the person holding the same or of any person interested, authorize or require a sale, mortgage or lease thereof whenever the interests of the beneficial owners of such real estate or interest therein will be substantially promoted thereby because the same is exposed to waste or dilapidation or is unproductive, or because the trustee has no money belonging to the trust to pay the taxes or assessments on the property, or for other peculiar reasons or circumstances. The proceedings for the sale of such real estate by the trustee shall be the same as are provided for in chapter 296.

231.33 Special trustees; appointment. If there is necessary delay in appointing a trustee or issuing letters of trust, or if it appears to the court to be necessary, the court may appoint a special trustee to act until the matter causing the delay is disposed of or the necessity therefor ceases to exist. No appeal shall be allowed from the appointment of such special trustee, and the appointment may be made without notice. He may be removed whenever the court so orders. The special trustee, before entering upon the duties of his trust, shall give a bond to the court in such sum and with such sureties as the court designates and approves.

231.34 Enforcement of public trust. (1) An action may be brought by the attorney-general in the name of the state, upon his own information or upon the complaint of any interested party for the enforcement of a public charitable trust.

(2) Such action may be brought in the name of the state by any 10 or more interested parties on their own complaint, when the attorney-general refuses to act.

(3) The term "interested party" herein shall comprise a donor to the trust or a member or prospective member of the class for the benefit of which the trust was established.

231.35 Guardian ad litem. The provisions of s. 323.10 shall also apply to nontestamentary trusts.

231.36 Nontestamentary trust proceedings in county court. (1) (a) The county court and the circuit court shall have power and authority to hear and determine all matters and proceedings, to perform all deeds and acts, and to grant all relief and remedies as to inter vivos trusts as provided in ss. 231.24 to 231.33.

(b) When any such matter or proceeding has been commenced in the circuit court, it may by order transfer the same and the record thereof to the county court for disposition, and the county court may in like manner transfer such a matter or proceeding to the circuit court.

(c) With respect to s. 231.24, such power of the county court shall include the power to appoint successor trustees upon petition of any interested party as hereafter provided.

(2) The county court and the circuit court shall have power and authority to construe trusts and determine the duties and powers of trustees, to examine accounts presented for allowance, and upon the termination of any trust and such allowance of accounts, to order disposition of the trust and to discharge the trustee.

(3) The county court, in exercising its power and authority to authorize or require a sale, mortgage or lease of real estate or any interest therein of any such trust, shall not be required to follow the procedures set out in ch. 296 but shall be empowered to enter its order with respect thereto following hearing thereon upon notice given to all trustees and interested persons as hereafter prescribed, provided that no order for such sale, mortgage or lease shall be made in violation of the terms of the trust.

(4) Any proceeding hereunder shall be commenced by the filing of a petition with the county court by any trustee or any person interested in any such trust, and all the procedure governing county courts shall apply to such proceeding, but nothing herein shall require any judicial determination or adjudication as to inter vivos trusts in county court unless such petition be filed therein. Notice of all proceedings commenced under this section shall be given to all trustees and all persons interested as prescribed in ss. 324.18 to 324.20.

(5) Any proceeding brought pursuant to this section shall be governed by the provisions of ch. 261 so far as applicable and shall be regarded as a civil action for that purpose.

231.40 Uniform principal and income act. (1) DEFINITIONS. As used in this section:

(a) "Principal" means any realty or personalty which has been so set aside or limited by the owner thereof or a person thereto legally empowered that it and any substitutions for it are eventually to be conveyed, delivered or paid to a person, while the return therefrom or use thereof or any part of such return or use is in the meantime to be taken or received by or held for accumulation for the same or another person;

(b) "Income" means the return derived from principal;

(c) "Tenant" means the person to whom income is presently or currently payable, or for whom it is accumulated or who is entitled to the beneficial use of the principal presently and for a time prior to its distribution;

(d) "Remainderman" means the person ultimately entitled to the principal, whether named or designated by the terms of the transaction by which the principal was established or determined by operation of law;

(e) "Trustee" includes the original trustee of any trust to which the principal may be subject and also any succeeding or added trustee.

(2) **APPLICATION; POWERS OF SETTLOR.** This section shall govern the ascertainment of income and principal, and the apportionment of receipts and expenses between tenants and remaindermen, in all cases where a principal has been established with or, unless otherwise stated hereinafter, without the interposition of a trust; except that in the establishment of the principal provision may be made touching all matters covered by this section, and the person establishing the principal may himself direct the manner of ascertainment of income and principal and the apportionment of receipts and expenses or grant discretion to the trustee or other person to do so, and such provision and direction, where not otherwise contrary to law, shall control notwithstanding this section.

(3) **INCOME AND PRINCIPAL; DISPOSITION.** (a) All receipts of money or other property paid or delivered as rent of realty or hire of personalty or dividends on corporate shares payable other than in shares of the corporation itself, or interest on money loaned, or interest on or the rental or use value of property wrongfully withheld or tortiously damaged, or otherwise in return for the use of principal, shall be deemed income unless otherwise expressly provided in this section.

(b) All receipts of money or other property paid or delivered as the consideration for the sale or other transfer, not a leasing or letting, of property forming a part of the principal, or as a repayment of loans, or in liquidation of the assets of a corporation, or as the proceeds of property taken on eminent domain proceedings where separate awards to tenant and remainderman are not made, or as proceeds of insurance upon property forming a part of the principal except where such insurance has been issued for the benefit of either tenant or remainderman alone, or otherwise as a refund or replacement or change in form of principal, shall be deemed principal unless otherwise expressly provided in this section. Any profit or loss resulting upon any change in form of principal shall enure to or fall upon principal.

(c) All income after payment of expenses properly chargeable to it shall be paid and delivered to the tenant or retained by him if already in his possession or held for accumulation where legally so directed by the terms of the transaction by which the principal was established; while the principal shall be held for ultimate distribution as determined by the terms of the transaction by which it was established or by law.

(3a) **DISPOSITION OF PROBATE INCOME BY EXECUTORS AND TESTAMENTARY TRUSTEES.**
(a) *Application.* This subsection applies only to executors and trustees acting under

wills of testators who die after May 10, 1961 and whose wills are admitted to probate in this state, but does not apply if a contrary provision has been made by the testator, or by the executor or a trustee under the will pursuant to a power given him by the testator. "Executor" includes an administrator with the will annexed.

(b) *Determination of net probate income.* The executor shall determine net probate income as follows:

1. He shall ascertain the amount of property received by him which is the product of the property which passed to him by the will or by the execution of a power of appointment, or of any substitute for such property obtained by the executor by purchase, exchange, or otherwise.

2. He shall include in the amount so ascertained the product of property used by the executor to discharge liabilities of the testator, or of the executor in his representative capacity, including debts, claims, taxes, expenses of administration, legacies payable in money and interest thereon, or of any donee under the will.

3. He shall determine how much of the amount so ascertained is classed as income under the other provisions of this section.

4. From the amount so determined he shall deduct a) any income taxes paid thereon by the executor except taxes on capital gains, b) interest on all legacies payable in money, and c) that share of the expenses of administration which is properly payable out of probate income. The amount remaining after the deduction is the net probate income.

(c) *Disposition by executor.* The executor at the time of distribution:

1. Shall pay over to the trustee of any trust or other legatee to whom specific property other than money is bequeathed the net probate income of such property; and

2. Shall pay over all other net probate income to a) the trustee of any trust created out of the residue, and b) any legatee for life or years of any portion of the residue, and c) any legatee of an absolute interest in any portion of the residue, and d) any trustee of a sum of money under a trust created by the will but not payable out of the residue, in prorata shares, in accordance with the respective values of the property bequeathed or given in trust at the death of the testator as determined by the executor.

3. If the executor makes a partial distribution to any legatee or trustee under subd. 2 the partial distributee shall share in the net probate income collected to that date but his share in the net probate income later collected by the executor shall be reduced accordingly.

(d) *Decree.* The amount of any net probate income distributed by the executor to each trustee or other distributee shall be stated in any order of distribution.

(e) *Distribution by trustee.* A testamentary trustee who receives net probate income from an executor shall treat it as income of the trust for which he is acting.

(4) **APPORTIONMENT OF INCOME.** Whenever a tenant shall have the right to income from periodic payments, which shall include rent, interest on loans, and annuities, but shall not include dividends on corporate shares, and such right shall cease and determine by death or in any other manner at a time other than the date when such periodic payments should be paid, he or his personal representative shall be entitled to that portion of any such income next payable which amounts to the same percentage thereof as the time elapsed from the last due date of such periodic payments to and including the day of the determination of his right is of the total period during which such income would normally accrue. The remaining income shall be paid to the person next entitled to income by the terms of the transaction by which the principal was established. But no action shall be brought by the trustee or tenant to recover such apportioned income or any portion thereof until after the day on which it would have become due to the tenant but for the determination of the right of the tenant entitled thereto. The provisions of this subsection shall apply whether an ultimate remainderman is specifically named or not. Likewise when the right of the first tenant accrues at a time other than the payment dates of such periodic payments, he shall only receive that portion of such income which amounts to the same percentage thereof as the time during which he has been so entitled is of the total period during which such income would normally accrue; the balance shall be a part of the principal.

(5) **CORPORATE DIVIDENDS AND SHARE RIGHTS.** (a) All dividends on shares of a corporation forming a part of the principal which are payable in the shares of the corporation shall be deemed principal. Subject to the provisions of this subsection, all dividends payable otherwise than in the shares of the corporation itself, including ordinary and extraordinary dividends and dividends payable in shares or other securities or obligations of corporations other than the declaring corporation, shall be deemed income, except that any distribution of shares or other securities or obligations of corporations other than the distributing corporation; or the proceeds of sale or other disposition thereof, made as a result of a court decree or final administrative order by a governmental agency heretofore or hereafter entered ordering the distributing corporation to divest itself of

the shares, securities or other obligations shall be deemed principal unless the distributing corporation indicates that the distribution is wholly or partly in lieu of an ordinary cash dividend in which case the distribution to the extent that it is in lieu of the ordinary cash dividend shall be deemed income. Where the trustee has the option of receiving a dividend either in cash or in the shares of the declaring corporation, it shall be considered as a cash dividend and deemed income, irrespective of the choice made by the trustee, except that any distribution by a mutual fund or investment company designated by it as a capital gains distribution shall be treated as principal.

(b) All rights to subscribe to the shares or other securities or obligations of a corporation accruing on account of the ownership of shares or other securities in such corporation, and the proceeds of any sale of such rights, shall be deemed principal. All rights to subscribe to the shares or other securities or obligations of a corporation accruing on account of the ownership of shares or other securities in another corporation, and the proceeds of any sale of such rights, shall be deemed income.

(c) Where the assets of a corporation are liquidated, amounts paid upon corporate shares as cash dividends declared before such liquidation occurred or as arrears of preferred or guaranteed dividends shall be deemed income; all other amounts paid upon corporate shares on disbursement of the corporate assets to the stockholders shall be deemed principal. All disbursements of corporate assets to the stockholders, whenever made, which are designated by the corporation as a return of capital or division of corporate property shall be deemed principal.

(d) Where a corporation succeeds another by merger, consolidation or reorganization or otherwise acquires its assets, and the corporate shares of the succeeding corporation are issued to the shareholders of the original corporation in like proportion to, or in substitution for, their shares of the original corporation, the 2 corporations shall be considered a single corporation in applying the provisions of this subsection. But 2 corporations shall not be considered a single corporation under this subsection merely because one owns corporate shares of or otherwise controls or directs the other.

(e) In applying this section the date when a dividend accrues to the person who is entitled to it shall be held to be the date specified by the corporation as the one on which the stockholders entitled thereto are determined, or in default thereof, the date of declaration of the dividend.

(6) PREMIUM AND DISCOUNT BONDS. Where any part of the principal consists of bonds or other obligations for the payment of money, they shall be deemed principal at their inventory value or in default thereof at their market value at the time the principal was established, or at their cost where purchased later, regardless of their par or maturity value; and upon their respective maturities or upon their sale any loss or gain realized thereon shall fall upon or enure to the principal; but the foregoing shall not apply to bonds or other obligations issued on a discount basis and subject to definite appreciation in value on a fixed schedule. The increment in value of such bonds or other obligations shall constitute income as of each date on which an increment occurs and shall be made available as income for such disposition as is provided for by the terms of the transaction under which the principal was established by transferring from the principal on each such date an amount equivalent to the increment then occurring.

(7) DISPOSITION OF NATURAL RESOURCES. Where any part of the principal consists of property in lands from which may be taken timber, minerals, oils, gas or other natural resources and the trustee or tenant is authorized by law or by the terms of the transaction by which the principal was established to sell, lease or otherwise develop such natural resources, and no provision is made for the disposition of the net proceeds thereof after the payment of expenses and carrying charges on such property, such proceeds, if received as rent on a lease, shall be deemed income, but if received as consideration, whether as royalties or otherwise, for the permanent severance of such natural resources from the lands, shall be deemed principal to be invested to produce income. Nothing in this subsection shall be construed to abrogate or extend any right which may otherwise have accrued by law to a tenant to develop or work such natural resources for his own benefit.

(8) EXPENSES; TRUST ESTATES. (a) All ordinary expenses incurred in connection with the trust estate or with its administration and management, including regularly recurring taxes assessed against any portion of the principal, water rates, premiums on insurance taken upon the estates of both tenant and remainderman, interest on mortgages on the principal, ordinary repairs and compensation of assistants and agents shall be paid out of income.

(b) All other expenses including cost of investing or reinvesting principal, court costs, attorneys' fees, and other fees on accountings and in maintaining or defending any action to protect the trust or the property or assure the title thereof, unless due to the fault or cause of the tenant, and costs of, or assessments for, improvements to property forming

part of the principal, shall be paid out of principal. Any tax levied by any authority, federal, state, or foreign, upon profit or gain defined as principal under the terms of sub. (3) (b) shall be paid out of principal notwithstanding the tax may be denominated a tax upon income by the taxing authority. The amount of tax paid out of principal shall be that proportion of the total tax payable by the trustee which the taxable portion of such profit or gain bears to taxable income.

(c) In the absence of any direction in an instrument creating a trust, unless the court having jurisdiction over the administration thereof shall otherwise direct, 75 per cent of the customary annual fees of the trustee shall be charged against the incomes, and 25 per cent thereof shall be charged against the corpus of the trust.

(d) Expenses paid out of income according to par. (a) which represent regularly recurring charges shall be considered to have accrued from day to day, and shall be apportioned on that basis whenever the right of the tenant begins or ends at some date other than the payment date of the expenses. Where the expenses to be paid out of income are of unusual amount, the trustee may distribute them throughout an entire year or part thereof or throughout a series of years. After such distribution, where the right of the tenant ends during the period, the expenses shall be apportioned between tenant and remainderman on the basis of such distribution.

(e) Where the costs of, or special taxes or assessments for, an improvement representing an addition of value to property held by the trustee as part of principal are paid out of principal, as provided in par. (b), the trustee shall reserve out of income and add to the principal each year a sum equal to the cost of the improvement divided by the number of years of the reasonably expected duration of the improvement.

(9) UNIFORMITY OF INTERPRETATION. This section shall be so interpreted and construed as to effectuate its general purpose to make uniform the law of those states which enact it.

(10) SHORT TITLE. This section may be cited as the "Uniform Principal and Income Act".

(11) CONFLICTS. This section shall supersede any provision of law in conflict therewith.

(12) APPLICATION; ESTATES AFFECTED. This section shall apply to all estates of tenants or remaindermen which are effective July 10, 1957 or which shall thereafter become effective.

History: 1961 c. 49, 651.

Trustees who were also the life beneficiaries of the trust were not empowered under a clause permitting them discretionary authority to determine how receipts were to be apportioned as between principal and interest to assign to themselves gain realized on the sale of capital assets which were part of the trust corpus. Will of Clarenbach, 23 W (2d) 71, 126 NW (2d)

614.

Probate and trust accounting. 46 MLR 462, 480.

Tax accounting problems of trustees. Hanners, 47 MLR 147.

Discretionary power to allocate receipts to income or principal; abuse of discretion. 48 MLR 262.

231.45 Menominee Indian tribe corporation securities, alienation restrained. The articles, bylaws or regulations of any corporation or organization, incorporated or organized under the laws of this state by or at the direction of members of the Menominee Indian tribe, to which property may be transferred by the United States or any agency thereof, as provided by section 8, P.L. 83-399, as amended, may provide for the absolute restraint on alienation for a period not to exceed 10 years of any bonds, stocks, certificate of interest, voting trust certificate or other security issued by such corporation or organization. No such restraint shall prohibit the transfer by will or operation of law upon the death of the owner of any such security, but may provide for an option to the corporation upon such transfer. Any option in such corporation to purchase any of such securities from the holder thereof, which such corporation has but fails to exercise, shall be assigned by such corporation to the state of Wisconsin, and may be exercised by the state of Wisconsin investment board according to the terms thereof.

History: 1965 c. 156.

231.46 Powers of successor trustee. Unless clearly expressed to the contrary in a will or other instrument creating a trust, the powers conferred upon the trustee by such instrument shall attach to the office and shall be exercisable by the trustee from time to time holding the office.

History: 1961 c. 403.

231.47 Devises and bequests to testamentary trusts. (1) A devise or bequest otherwise valid shall not be held invalid because made to a trust created or to be created under the will of another person, if the will of such other person was executed (or was last modified with respect to the terms and conditions of such trust) prior to the death of the person making the devise or bequest and such other person's will is admitted to pro-

bate prior to, or within 2 years after, the death of the person making the devise or bequest. All such devises and bequests, when accepted, shall be added to the trust to which they were devised or bequeathed and be administered as part thereof.

(2) If such a devise or bequest is not accepted or if no will of such other person which meets the conditions specified in sub. (1) is admitted to probate within the period therein limited, and if the will containing such devise or bequest makes no alternate disposition of the property so devised or bequeathed, the will containing such devise or bequest shall be construed to create a trust upon the terms and conditions contained in the document or documents constituting the will of such other person as of the date of death of the person making the devise or bequest.

History: 1961 c. 403.

Pouring over into testamentary trust of another. 45 MLR 463.

231.49 Trustees appointed. (1) A policy of life insurance may designate as beneficiary a trustee or trustees named or to be named by will, if the designation is made in accordance with the provisions of the policy and the requirements of the insurance company. The trustee or trustees may be appointed immediately after the proving of the will, and upon appointment and qualification the proceeds of such insurance shall be paid to the trustee or trustees to be held and disposed of under the terms of the will as they exist at the death of the testator and in accordance with ch. 323; but if no qualified trustee makes claim to the proceeds from the insurance company within one year after the death of the insured, or if satisfactory evidence is furnished the insurance company within such one year period showing that no trustee can qualify to receive the proceeds, payment shall be made by the insurance company to the executors, administrators or assigns of the insured, unless otherwise provided by agreement with the insurance company during the lifetime of the insured. The proceeds of the insurance as collected by the trustee or trustees shall not be subject to debts of the insured and inheritance tax to any greater extent than if such proceeds were payable to any other named beneficiary other than the estate of the insured. For purposes of trust administration such proceeds shall be subject to the court jurisdiction over the trust but shall not otherwise be considered as payable to the estate of the insured. Such proceeds shall be listed for tax purposes only, as required under s. 312.01, in the general inventory of the estate. Such insurance proceeds so held in trust may be commingled with any other assets which may properly come into such trust as provided in the will. Enactment of this section shall not invalidate previous life insurance policy beneficiary designations naming trustees of trusts established by will.

(2) Benefits under an employe benefit plan conforming to the requirements of s. 272.18 (31) or under an annuity contract purchased for an employe by an employer which is a religious, scientific, educational, benevolent or other corporation or association not organized or conducted for pecuniary profit may be made payable to a trustee or trustees named or to be named in a will and such benefits shall be treated in the same manner as insurance proceeds are treated under sub. (1) except that if no qualifying trustee asserts a claim to any such benefits within one year after the employe's death or if satisfactory proof is furnished the disbursing authority under the plan or the contract within such period showing that no trustee can qualify to receive the benefits, the benefits shall be paid in accordance with any alternative disposition provided for under the plan or the contract.

(3) Interests other than those described in sub. (1) and (2) may be made payable to or transferred to a trustee or trustees named or to be named in a will in the same manner and to the same extent they could be made payable to or transferred to any other person.

History: 1963 c. 269.

231.50 Revocation; termination; modification. (1) By unanimous written consent of the creator and all persons in being beneficially interested in a trust in real or personal property or any part thereof heretofore or hereafter created, such trust may be revoked, terminated or modified as to the whole or such part thereof. For the purposes of this section:

(a) Such consent may be given on behalf of a minor or a person under disability by the county court for the county in which the creator of the trust or the trustee thereof resides, after a hearing in which the interests of such minor or such person under disability are represented as provided in s. 324.29.

(b) Such consent by or on behalf of any person, including the creator, shall also be a sufficient consent on behalf of all persons, other than descendants in being of the consenting person, who are described by the terms of such trust solely by their relation-

ship to the consenting person and whose identity cannot be definitely ascertained prior to his death.

(2) Any such revocation, termination or modification, shall, upon execution and acknowledgment by all consenting persons as prescribed by ch. 235 for a conveyance, be entitled to be recorded or filed in the office of the register of deeds of any county in which any property subject to such trust is situated.

(3) Nothing in this section shall inhibit the revocation, termination or modification of any trust pursuant to its terms or otherwise in accordance with law. No trust shall be subject to revocation, termination or modification by the creator alone solely by reason of this section.

History: 1961 c. 407.

Termination of inter vivos trusts under Revocation of inter vivos trusts. 48 state law and the internal revenue code, MLR 376. section 2038. Leary, 47 MLR 323.

231.51 Power to revoke. When the grantor in any conveyance shall reserve to himself for his own benefit an absolute power of revocation, such grantor shall still be deemed the absolute owner of the estate conveyed, so far as the rights of creditors and purchasers are concerned.

History: 1965 c. 52.

231.52 Mandatory powers. A power of sale or direction to sell in a testamentary or inter vivos instrument creating a trust in effect on or after June 28, 1950, which power or direction by its terms or the context of the instrument is or purports to be mandatory, shall, in respect to each parcel of real estate of the trust situate in this state as to which such power or direction has been in effect and not exercised for a period of 25 years, be deemed permissive.

History: 1965 c. 52.

231.55 Valuation used in distribution of trust assets. In case of a division of trust assets into 2 or more trusts or shares, any distribution or allocation of assets as an equivalent of a dollar amount fixed by formula or otherwise shall be made at current fair market values unless the governing instrument expressly provided that another value may be used. If the governing instrument requires or permits a different value to be used all assets available for distribution, including cash, shall unless otherwise expressly provided be so distributed that the assets, including cash, distributed as such an equivalent will be fairly representative of the net appreciation or depreciation in the value of the available property on the date or dates of distribution. A provision in the governing instrument that the trustee may fix values for purposes of distribution or allocation does not of itself constitute authorization to fix a value other than current fair market value.

History: 1965 c. 65, 433.

231.60 Small trusts benefiting incompetents. If an incompetent, as defined in s. 319.01, is entitled to the benefit of a trust of a value of \$1,500 or less, any court wherein an action or proceeding involving said trust is pending may, in its discretion, without requiring the appointment of a guardian, order the payment of such benefit to the person having actual or legal custody of the incompetent or to the person providing for his care and maintenance for the benefit of the incompetent.

History: 1963 c. 541.