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1 **701.0819 Marital deduction transfers.** (1) For purposes of this section,
2 “marital deduction transfer” means a lifetime or testamentary transfer of property
3 that is intended to qualify for the marital deduction as indicated by the terms of the
4 trust.

5 (2) In interpreting, construing, or administering a trust instrument, absent a
6 clear expression of intent by the settlor to the contrary, a trustee shall apply the
7 following presumptions that may only be rebutted by clear and convincing evidence:

8 (a) The settlor intended to take advantage of tax deductions, exemptions,
9 exclusions, and credits.

10 (b) The settlor intended that any transfer made to a spouse outright and free
11 of trust qualify for the gift or estate tax marital deduction and is a marital deduction
12 transfer.

13 (c) If the trust instrument refers to a trust as a marital trust, qualified
14 terminable interest property trust, or spousal trust, or refers to qualified terminable
15 interest property, section 2044, 2056, 2056A, or 2523 of the Internal Revenue Code,
16 or a similar provision of applicable state law, the settlor intended that the trust and
17 property passing to the trust qualify for the applicable gift or estate tax marital
18 deduction and that the transfer qualifies for the marital deduction for federal and
19 state gift or estate tax purposes.

20 (3) If a trust receives a marital deduction transfer, the trust instrument shall
21 be construed to comply with the marital deduction provisions of the Internal
22 Revenue Code.

23 (4) If a trust receives a marital deduction transfer, the trustee has all the
24 powers, duties, and discretionary authority necessary to comply with the marital
25 deduction provisions of the Internal Revenue Code. The trustee may not take any

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1 action or have any power that may impair the availability of the marital deduction,
2 but this does not require the trustee to make the election under either section 2056
3 (b) (7), 2056A (a) (3), or 2523 (f) of the Internal Revenue Code.

4 **SECTION 116.** 701.09 (title), (1) and (2) of the statutes are renumbered 853.34
5 (title), (1) and (2).

6 **SECTION 117.** 701.09 (3), (4) and (5) of the statutes are repealed.

7 **SECTION 118.** Subchapter IX (title) of chapter 701 [precedes 701.0901] of the
8 statutes is created to read:

9 **CHAPTER 701**

10 **SUBCHAPTER IX**

11 **INVESTMENT MANAGEMENT OF TRUSTS**

12 **SECTION 119.** 701.0901 of the statutes is created to read:

13 **701.0901 Application of the Wisconsin Prudent Investor Act.** Except as
14 provided in this subchapter, the investment management of the property of a trust
15 is governed by ch. 881.

16 **SECTION 120.** 701.0902 of the statutes is created to read:

17 **701.0902 Directed trust property.** (1) A directing party who has power over
18 directed trust property shall do all of the following:

19 (a) Direct the trustee on the retention, purchase, sale, exchange, tender,
20 encumbrance, or any other investment transaction of the directed trust property and
21 the investment and reinvestment of principal and income.

22 (b) Direct the trustee with respect to the management, control, and voting
23 powers, including voting proxies, of the directed trust property.

24 (c) Select and determine reasonable compensation of one or more outside
25 investment advisors, managers, consultants, or counselors, which may include the

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1 trustee, and delegate investment authority to them pursuant to the investment
2 delegation provisions under s. 881.01 (10).

3 (d) Determine the frequency of and methodology for valuing directed trust
4 property and provide the value of property for which there is no readily available
5 daily market value.

6 (2) A trustee who has no power over directed trust property does not have a
7 duty to do any of the following with respect to the directed trust property:

8 (a) Prepare or review investment policy statements.

9 (b) Perform investment or suitability reviews, inquiries, or investigations.

10 (c) Determine or verify the value of directed trust property for which there is
11 no readily available daily market value.

12 (d) Monitor the conduct or investment performance of the directing party.

13 **SECTION 121.** 701.0903 of the statutes is created to read:

14 **701.0903 Nonapplication of prudent investor rule to life insurance**
15 **contracts owned by trusts.** (1) Notwithstanding s. 881.01, if a principal purpose
16 of a trust is to hold a life insurance contract or to purchase a life insurance contract
17 from contributions made to the trust, the trustee does not have a duty to determine
18 whether the life insurance contract is or remains a proper investment of the trust.
19 For purposes of this subsection, determining whether a life insurance contract is or
20 remains a proper investment includes all of the following:

21 (a) Investigating the financial strength or changes in the financial strength of
22 the life insurance company maintaining the life insurance contract.

23 (b) Determining whether to exercise any policy option, right, or privilege
24 available under the life insurance contract.

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1 (c) Diversifying the life insurance contract relative to any other life insurance
2 contracts or any other assets of the trust.

3 (d) Inquiring about or investigating the health or financial condition of an
4 insured.

5 (e) Preventing the lapse of a life insurance contract if the trust does not receive
6 contributions or hold other readily marketable assets to pay the life insurance
7 contract premiums.

8 (2) A trustee is not liable for a loss that arises because the trustee did not take
9 an action specified in sub. (1).

10 (3) This section does not apply to a life insurance contract that is purchased
11 from an affiliate of the trustee or to a life insurance contract from which the trustee
12 or an affiliate receives a commission, unless the power to purchase the life insurance
13 contract has been delegated to another person and that other person made the
14 decision to purchase the life insurance contract from or through the trustee or an
15 affiliate.

16 (4) This section does not apply to a trust that was executed before the effective
17 date of this subsection ... [LRB inserts date], unless the trustee notifies the qualified
18 beneficiaries that the trustee elects to be governed by this section and provides the
19 qualified beneficiaries with a copy of this section.

20 (5) Subject to sub. (4), this section applies to a life insurance contract acquired,
21 retained, or owned by a trustee before, on, or after the effective date of this subsection
22 ... [LRB inserts date].

23 **SECTION 122.** 701.10 of the statutes is repealed.

24 **SECTION 123.** Subchapter X (title) of chapter 701 [precedes 701.1001] of the
25 statutes is created to read:

BILL**CHAPTER 701****SUBCHAPTER X****LIABILITY OF TRUSTEES AND RIGHTS****OF PERSONS DEALING WITH TRUSTEE**

SECTION 124. 701.1001 of the statutes is created to read:

701.1001 Remedies for breach of trust. (1) A violation by a trustee of a duty the trustee owes to a beneficiary is a breach of trust.

(2) To remedy a breach of trust that has occurred or may occur, a court may do any of the following:

(a) Compel the trustee to perform the trustee's duties.

(b) Enjoin the trustee from committing a breach of trust.

(c) Compel the trustee to redress a breach of trust by paying money, restoring property, or other means.

(d) Order a trustee to account.

(e) Appoint an additional trustee, a directing party, or a trust protector having the duties and authority ordered by the court, including, in the case of an additional trustee, the authority to take possession of the trust property and administer the trust.

(f) Suspend the trustee.

(g) Remove the trustee as provided in s. 701.0706.

(h) Reduce the compensation of or deny compensation to the trustee.

(i) Subject to s. 701.1012, void an act of the trustee, impose a lien or a constructive trust on trust property, or trace trust property wrongfully disposed of and order recovery of the property or its proceeds.

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1 (j) Order any other appropriate relief, whether provided elsewhere in this
2 chapter, available at common law, or under equity principles.

3 **SECTION 125.** 701.1002 of the statutes is created to read:

4 **701.1002 Damages for breach of trust; liability of successor trustee. (1)**

5 A trustee who commits a breach of trust is liable to an affected beneficiary for the
6 greater of the following:

7 (a) The amount required to restore the value of the trust property and trust
8 distributions to what they would have been had the breach not occurred.

9 (b) The profit the trustee made by reason of the breach.

10 (2) Except as otherwise provided in this subsection, if more than one trustee
11 is liable to a beneficiary for a breach of trust, a trustee is entitled to contribution from
12 the other trustee or trustees. A trustee is not entitled to contribution if the trustee
13 was substantially more at fault than another trustee or if the trustee committed the
14 breach of trust in bad faith or with reckless indifference to the purposes of the trust
15 or the interests of the beneficiary. A trustee who received a benefit from the breach
16 of trust is not entitled to contribution from another trustee to the extent of the benefit
17 received.

18 (3) A successor trustee is not liable for the acts and omissions of a former
19 trustee or for the acts or omissions of any directing party or trust protector that are
20 taken before the appointment of the successor trustee.

21 **SECTION 126.** 701.1003 of the statutes is created to read:

22 **701.1003 Damages in absence of breach.** Absent a breach of trust, a trustee
23 is not liable to a beneficiary for a loss or depreciation in the value of trust property
24 or for not having made a profit.

25 **SECTION 127.** 701.1004 of the statutes is created to read:

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1 **701.1004 Attorney fees and costs. (1)** In a judicial proceeding involving the
2 administration of a trust, the court, as justice and equity may require, may award
3 costs and expenses, including reasonable attorney fees, to any party, to be paid by
4 another party or from the trust that is the subject of the controversy.

5 **(2)** Subject to sub. (3), if a trustee, directing party, or trust protector defends
6 or prosecutes any proceeding in good faith, whether successful or not, the trustee,
7 directing party, or trust protector is entitled to receive from the trust the necessary
8 expenses and disbursements, including reasonable attorney fees, incurred. This
9 subsection does not preclude a court from ordering another party to reimburse the
10 trust for these expenses and disbursements as provided in sub. (1).

11 **(3) (a)** A trustee may pay costs or attorney fees incurred in any proceeding from
12 the trust property without the approval of any person and without court
13 authorization, unless the court orders otherwise as provided in par. (c).

14 **(b)** If a claim or defense based upon a breach of trust is made against a trustee,
15 directing party, or trust protector in a proceeding, the trustee shall provide notice to
16 each qualified beneficiary, directing party, and trust protector of the trustee's
17 intention to pay costs or attorney fees incurred in the proceeding from the trust prior
18 to making payment. The notice shall inform each qualified beneficiary, directing
19 party, and trust protector of the right to apply to the court for an order prohibiting
20 the trustee from paying attorney fees or costs from trust property. If a trustee is
21 served with a motion for an order prohibiting the trustee from paying from the trust
22 attorney fees or costs in the proceeding and the trustee pays attorney fees or costs
23 from the trust before an order is entered on the motion, the trustee, directing party,
24 or trust protector and their respective attorneys who have been paid attorney fees
25 or costs from trust property are subject to the remedies in pars. (c) and (d).

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1 (c) 1. If a claim or defense based upon breach of trust is made against a trustee,
2 directing party, or trust protector in a proceeding, a party may move the court for an
3 order to prohibit the trustee from paying costs or attorney fees from trust property.

4 2. Except as provided in subd. 3., if the moving party demonstrates to the court
5 that there is a reasonable basis for the court to find that a breach of trust occurred,
6 the court shall enter an order prohibiting the payment of further attorney fees and
7 costs from trust property and shall order attorney fees or costs previously paid from
8 trust property in such proceeding to be refunded, unless the court finds good cause
9 to allow attorney fees and costs to be paid from the trust. A trustee, directing party,
10 or trust protector may offer evidence to rebut the evidence submitted to the court by
11 the moving party.

12 3. The court may defer ruling on a motion to prohibit a trustee from paying costs
13 or attorney fees from trust property until discovery is taken by the parties.

14 4. An order entered under this paragraph does not limit a trustee's, directing
15 party's, or trust protector's right to seek an order allowing the payment of some or
16 all of the attorneys fees or costs incurred in the proceeding from trust property,
17 including any fees required to be refunded, after the claim or defense is finally
18 determined by the court. If a claim or defense based upon a breach of trust is
19 withdrawn, dismissed, or resolved without a determination by the court that the
20 trustee committed a breach of trust, after the entry of an order prohibiting payment
21 of attorney fees and costs pursuant to this paragraph, the trustee may pay costs or
22 attorney fees incurred in the proceeding from the trust property without further
23 court authorization.

24 (d) If the court orders a refund under par. (c), the court may enter sanctions as
25 are appropriate if a refund is not made as directed by the court, including striking

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1 defenses or pleadings filed by the trustee, directing party, or trust protector. Nothing
2 in this paragraph limits other remedies and sanctions the court may employ for the
3 failure to refund the trust in a timely manner.

4 (e) Subject to s. 701.1005, nothing in this subsection limits the power of the
5 court to review fees and costs or the right of any interested persons to challenge fees
6 and costs after payment, after an accounting, or after conclusion of the litigation.

7 (f) Notice under par. (b) is not required if the action or defense is later
8 withdrawn or dismissed by the party that is alleging a breach of trust or resolved
9 without a determination by the court that the trustee has not committed a breach
10 of trust.

11 (4) A provision of a trust instrument drafted or caused to be drafted by a
12 trustee, directing party, or trust protector that modifies the application of this section
13 in a manner favorable to the trustee, directing party, or trust protector and
14 potentially detrimental to a beneficiary is invalid with respect to the trustee,
15 directing party, or trust protector unless the trustee, directing party, or trust
16 protector proves that the provision was fair under the circumstances existing at the
17 time the trust instrument was signed and that the existence and contents of the
18 provision were adequately communicated to the settlor.

19 **SECTION 128.** 701.1005 of the statutes is created to read:

20 **701.1005 Limitation of action against trustee.** (1) A beneficiary may not
21 commence a proceeding against a trustee for breach of trust more than one year after
22 the date on which the beneficiary or a representative of the beneficiary was sent a
23 report that adequately disclosed the existence of a potential claim for breach of trust.

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1 (2) A report adequately discloses the existence of a potential claim for breach
2 of trust if it provides sufficient information so that the beneficiary or representative
3 knows of the potential claim or should have inquired into its existence.

4 (3) If sub. (1) does not apply, a proceeding by a beneficiary against a trustee for
5 breach of trust must be commenced within 5 years after the first to occur of the
6 following:

7 (a) The removal, resignation, or death of the trustee.

8 (b) The termination of the beneficiary's interest in the trust.

9 (c) The termination of the trust.

10 (4) Subsections (1) and (3) do not apply to a claim for fraud. The time for
11 asserting a claim for fraud is governed by applicable law.

12 **SECTION 129.** 701.1006 of the statutes is created to read:

13 **701.1006 Reliance on trust instrument.** A trustee who acts in reasonable
14 reliance on the terms of the trust as expressed in the trust instrument is not liable
15 to a beneficiary for a breach of trust to the extent the breach resulted from the
16 reliance.

17 **SECTION 130.** 701.1007 of the statutes is created to read:

18 **701.1007 Event affecting administration or distribution.** If the
19 happening of an event, including marriage, divorce, performance of educational
20 requirements, or death, affects the administration or distribution of a trust, a trustee
21 who has exercised reasonable care to ascertain the happening of the event is not
22 liable for a loss resulting from the trustee's lack of knowledge.

23 **SECTION 131.** 701.1008 of the statutes is created to read:

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1 **701.1008 Exculpation of trustee.** (1) A term of a trust relieving a trustee
2 of liability for breach of trust is unenforceable to the extent that it does any of the
3 following:

4 (a) Relieves the trustee of liability for breach of trust committed in bad faith
5 or with reckless indifference to the purposes of the trust or the interests of a
6 beneficiary.

7 (b) Was inserted as the result of an abuse by the trustee of a fiduciary or
8 confidential relationship with the settlor.

9 (2) An exculpatory term drafted or caused to be drafted by the trustee is invalid
10 as an abuse of a fiduciary or confidential relationship unless the trustee proves that
11 the exculpatory term was fair under the circumstances existing at the time the trust
12 instrument was signed and that the existence and contents of the exculpatory term
13 were adequately communicated to the settlor.

14 **SECTION 132.** 701.1009 of the statutes is created to read:

15 **701.1009 Beneficiary's consent, release, or ratification.** A trustee is not
16 liable to a beneficiary for breach of trust if the beneficiary consented to the conduct
17 constituting the breach, released the trustee from liability for the breach, or ratified
18 the transaction constituting the breach, unless any of the following applies:

19 (1) The consent, release, or ratification of the beneficiary was induced by
20 improper conduct of the trustee.

21 (2) At the time of the consent, release, or ratification, the beneficiary did not
22 have knowledge of the beneficiary's rights or of the material facts relating to the
23 breach.

24 **SECTION 133.** 701.1010 of the statutes is created to read:

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1 **701.1010 Limitation on personal liability of trustee.** (1) Except as
2 otherwise provided in the contract, a trustee is not personally liable on a contract
3 properly entered into in the trustee's fiduciary capacity in the course of
4 administering the trust if the trustee in the contract disclosed the fiduciary capacity.

5 (2) A trustee is personally liable for torts committed in the course of
6 administering a trust, or for obligations arising from ownership or control of trust
7 property, including liability for violation of environmental law, only if the trustee is
8 personally at fault.

9 **SECTION 134.** 701.1011 of the statutes is created to read:

10 **701.1011 Interest as general partner.** (1) Unless personal liability is
11 imposed in the contract, a trustee who holds an interest as a general partner in a
12 general or limited partnership is not personally liable on a contract entered into by
13 the partnership after the trust's acquisition of the interest if the fiduciary capacity
14 was disclosed in the contract.

15 (2) A trustee who holds an interest as a general partner is not personally liable
16 for torts committed by the partnership or for obligations arising from ownership or
17 control of the interest unless the trustee is personally at fault.

18 (3) If the trustee of a revocable trust holds an interest as a general partner, the
19 settlor is personally liable for contracts and other obligations of the partnership as
20 if the settlor were a general partner.

21 **SECTION 135.** 701.1012 of the statutes is created to read:

22 **701.1012 Protection of person dealing with trustee.** (1) A person other
23 than a beneficiary who in good faith assists a trustee, or who in good faith and for
24 value deals with a trustee, without knowledge that the trustee is exceeding or

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1 improperly exercising the trustee's powers is protected from liability as if the trustee
2 properly exercised the power.

3 (2) A person other than a beneficiary who in good faith deals with a trustee is
4 not required to inquire into the extent of the trustee's powers or the propriety of their
5 exercise.

6 (3) A person who in good faith delivers assets to a trustee does not need to
7 ensure their proper application.

8 (4) A person other than a beneficiary who in good faith assists a former trustee,
9 or who in good faith and for value deals with a former trustee, without knowledge
10 that the trusteeship has terminated is protected from liability as if the former trustee
11 were still a trustee.

12 (5) Comparable protective provisions of other laws relating to commercial
13 transactions or transfer of securities by fiduciaries prevail over the protection
14 provided by this section.

15 **SECTION 136.** 701.1013 of the statutes is created to read:

16 **701.1013 Certification of trust.** (1) Instead of furnishing a copy of the trust
17 instrument to a person other than a beneficiary, the trustee may furnish to the
18 person a certification of trust containing the following information:

19 (a) That the trust exists and the date on which the trust instrument was
20 executed.

21 (b) The identity of the settlor.

22 (c) The identity and address of the currently acting trustee.

23 (d) The powers of the trustee.

24 (e) The revocability or irrevocability of the trust and the identity of any person
25 holding a power to revoke the trust.

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1 (f) The authority of a cotrustee to sign or otherwise authenticate and whether
2 all cotrustees or less than all cotrustees are required to sign or otherwise
3 authenticate in order to exercise powers of the trustee.

4 (g) The manner in which title to trust property may be taken.

5 (2) A certification of trust may be signed or otherwise authenticated by any
6 trustee.

7 (3) A trustee shall include in a certification of trust that the trust has not been
8 revoked, modified, or amended in any manner that would cause the representations
9 contained in the certification of trust to be incorrect.

10 (4) A certification of trust does not need to contain the dispositive terms of a
11 trust.

12 (5) A recipient of a certification of trust may require the trustee to furnish
13 copies of those excerpts from the original trust instrument and later amendments
14 that designate the trustee and confer upon the trustee the power to act in the pending
15 transaction.

16 (6) A person who acts in reliance upon a certification of trust without
17 knowledge that the representations contained therein are incorrect is not liable to
18 any person for so acting and may assume without inquiry the existence of the facts
19 contained in the certification. Knowledge of the terms of the trust may not be
20 inferred solely from the fact that a copy of all or part of the trust instrument is held
21 by the person relying upon the certification.

22 (7) A person who in good faith enters into a transaction in reliance upon a
23 certification of trust may enforce the transaction against the trust property as if the
24 representations contained in the certification were correct.

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1 (8) A person making a demand for copies of the trust instrument or excerpts
2 from the trust instrument, other than those excerpts described in sub. (5), in addition
3 to a certification of trust is liable for costs, expenses, reasonable attorney fees and
4 damages if the court determines that the person did not act in good faith in
5 demanding the copies.

6 (9) This section does not limit the right of a person to obtain a copy of the trust
7 instrument in a judicial proceeding concerning the trust.

8 **SECTION 137.** 701.105 (title), (1), (2) and (3) of the statutes are renumbered
9 701.1201 (title), (1), (2) and (3), and 701.1201 (1), (2) and (3), as renumbered, are
10 amended to read:

11 701.1201 (1) (a) In the administration of any trust ~~which~~ that is a private
12 foundation, as defined in section 509 of the ~~internal revenue code~~ Internal Revenue
13 Code, a charitable trust, as defined ~~described~~ in section 4947 (a) (1) of the ~~internal~~
14 ~~revenue code~~ Internal Revenue Code, or a split-interest trust as defined ~~described~~
15 in section 4947 (a) (2) of the ~~internal revenue code~~ Internal Revenue Code, all of the
16 following acts shall be prohibited:

17 1. Engaging in any act of self-dealing, as defined in section 4941 (d) of the
18 ~~internal revenue code~~, ~~which~~ Internal Revenue Code, ~~that~~ would give rise to any
19 liability for the tax imposed by section 4941 (a) of the ~~internal revenue code~~ Internal
20 Revenue Code.

21 2. Retaining any excess business holdings, as defined in section 4943 (c) of the
22 ~~internal revenue code~~, ~~which~~ Internal Revenue Code, ~~that~~ would give rise to any
23 liability for the tax imposed by section 4943 (a) of the ~~internal revenue code~~ Internal
24 Revenue Code.

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1 3. Making any investments ~~which~~ that would jeopardize the carrying out of any
2 of the exempt purposes of the trust, within the meaning of section 4944 of the ~~internal~~
3 ~~revenue code~~ Internal Revenue Code, so as to give rise to any liability for the tax
4 imposed by section 4944 (a) of the ~~internal revenue code~~ Internal Revenue Code.

5 4. Making any taxable expenditures, as defined in section 4945 (d) of the
6 ~~internal revenue code~~, ~~which~~ Internal Revenue Code, ~~that~~ would give rise to any
7 liability for the tax imposed by section 4945 (a) of the ~~internal revenue code~~ Internal
8 Revenue Code.

9 (b) This subsection ~~shall~~ does not apply either to those split-interest trusts or
10 to amounts thereof ~~which~~ that are not subject to the prohibitions applicable to
11 private foundations by reason of the provisions of section 4947 of the ~~internal~~
12 ~~revenue code~~ Internal Revenue Code.

13 (2) In the administration of any trust ~~which~~ that is a private foundation, as
14 defined in section 509 of the ~~internal revenue code~~ Internal Revenue Code, or ~~which~~
15 ~~that~~ is a charitable trust, as defined described in section 4947 (a) (1) of the ~~internal~~
16 ~~revenue code~~ Internal Revenue Code, there shall be distributed, for the purposes
17 specified in the trust instrument, for each taxable year, amounts at least sufficient
18 to avoid liability for the tax imposed by section 4942 (a) of the ~~internal revenue code~~
19 Internal Revenue Code.

20 (3) Subsections (1) and (2) ~~shall~~ do not apply to any trust to the extent that a
21 court of competent jurisdiction ~~shall determine~~ determines that such ~~the~~ application
22 would be contrary to the terms of the ~~instrument governing such~~ trust and that the
23 same may not properly be changed to conform to such subsections.

24 **SECTION 138.** 701.105 (4) of the statutes is repealed.

25 **SECTION 139.** 701.11 of the statutes is repealed.

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1 **SECTION 140.** Subchapter XI (title) of chapter 701 [precedes 701.1101] of the
2 statutes is created to read:

3 **CHAPTER 701**

4 **SUBCHAPTER XI**

5 **UNIFORM PRINCIPAL AND INCOME ACT**

6 **SECTION 141.** 701.1101 of the statutes is created to read:

7 **701.1101 Short title and scope.** This subchapter may be cited as the
8 Wisconsin Uniform Principal and Income Act. Subject to s. 701.1206 (2), this
9 subchapter applies to a trust described in s. 701.0102 and an estate that is
10 administered in this state.

11 **SECTION 142.** 701.1102 (intro.) of the statutes is created to read:

12 **701.1102 Definitions.** (intro.) In this subchapter:

13 **SECTION 143.** 701.1102 (1g) of the statutes is created to read:

14 701.1102 (1g) “Asset” has the meaning given for property under s. 701.0103
15 (20).

16 **SECTION 144.** 701.1106 (6) of the statutes is created to read:

17 701.1106 (6) Sections 701.0410 to 701.0418 do not apply to a conversion of a
18 trust to a unitrust under this section.

19 **SECTION 145.** 701.1123 (1) of the statutes is created to read:

20 701.1123 (1) In this section:

21 (a) “Marital deduction trust” means a trust for which an election to qualify for
22 a marital deduction under section 2056 (b) (7), 2056A (a) (3), or 2523 (f) of the Internal
23 Revenue Code has been made or a trust that qualified for the marital deduction
24 under other provisions of section 2056 or 2523 of the Internal Revenue Code.

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1 (b) “Payment” means an amount of money or property received by a trustee that
2 is any of the following:

3 1. Part of a series, or eligible to be part of a series, of distributions payable over
4 a fixed number of years or during the life of one or more individuals because of
5 services rendered or property transferred to the payer in exchange for the future
6 distributions.

7 2. Distributed from a plan, regardless of the reason for the distribution.

8 (c) “Plan” means a contractual, custodial, trust, or other arrangement that
9 provides for distributions to a trust. “Plan” includes a private or commercial annuity,
10 an individual retirement account, a Roth individual retirement account, a qualified
11 retirement plan such as a pension, profit-sharing, stock-bonus, or stock-ownership
12 plan, or any nonqualified deferred compensation plan.

13 (e) “Separate account” means an account established or maintained under a
14 plan under which income, gains, and losses, whether or not realized, from assets
15 allocated to the account, are credited to or charged against the account without
16 regard to other income, gains, or losses of the plan.

17 **SECTION 146.** 701.1123 (4) of the statutes is created to read:

18 701.1123 (4) (a) Notwithstanding sub. (3), a trustee of a marital deduction trust
19 shall determine plan income for an accounting period as if the plan were a trust
20 subject to this subchapter. If the trustee of a marital deduction trust cannot
21 determine the plan income, the plan income is 4 percent of the total present value
22 of the trust’s income in the plan on the first day of the accounting period, based on
23 reasonable actuarial assumptions as determined by the trustee of the marital
24 deduction trust.

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1 (b) Notwithstanding subs. (2) and (3), a trustee of a marital deduction trust
2 shall allocate a payment from a plan to income to the extent of the plan income and
3 distribute that amount to the surviving spouse. The trustee of the marital deduction
4 trust shall allocate the balance of the payment to principal. Upon the request of the
5 surviving spouse, the trustee of a marital deduction trust shall allocate principal to
6 income to the extent the plan income exceeds payments made from the plan to the
7 trust during the accounting period.

8 (c) Upon the request of the surviving spouse of the settlor, a trustee of a marital
9 deduction trust shall demand that a person administering a plan distribute the plan
10 income to the trust.

11 **SECTION 147.** 701.1126 (title) of the statutes is created to read:

12 **701.1126 (title) Timber.**

13 **SECTION 148.** 701.1134 (3) (c) and (d) and (4) of the statutes are created to read:

14 701.1134 (3) (c) Proportionately from principal and income to the extent that
15 receipts from the entity are allocated to both income and principal.

16 (d) From principal to the extent that the tax exceeds the total receipts from the
17 entity.

18 (4) After applying subs. (1) to (3), the trustee shall adjust income or principal
19 receipts to the extent that the trust's taxes are reduced because the trust receives a
20 deduction for payments made to a beneficiary.

21 **SECTION 149.** 701.115 of the statutes is repealed.

22 **SECTION 150.** 701.12 of the statutes is repealed.

23 **SECTION 151.** Subchapter XII (title) of chapter 701 [precedes 701.1201] of the
24 statutes is created to read:

CHAPTER 701

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SUBCHAPTER XII

MISCELLANEOUS PROVISIONS

SECTION 152. 701.1202 of the statutes is created to read:

701.1202 Electronic records and signatures. The provisions of this chapter governing the legal effect, validity, or enforceability of electronic records or signatures, and of contracts formed or performed with the use of such records or signatures conform to the requirements of section 102 of the federal Electronic Signatures in Global and National Commerce Act, 15 USC 7002, and supersede, modify, and limit the federal Electronic Signatures in Global and National Commerce Act, 15 USC 7001 to 7031.

SECTION 153. 701.1203 of the statutes is created to read:

701.1203 Uniformity of application and construction. This chapter shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this chapter among states enacting it.

SECTION 154. 701.1205 (3) of the statutes is created to read:

701.1205 (3) (a) Except as provided in par. (b), this chapter applies to a judicial proceeding concerning a trust commenced before, on, or after the effective date of this paragraph [LRB inserts date].

(b) If a court finds that application of a particular provision of this chapter to a judicial proceeding commenced before the effective date of this paragraph [LRB inserts date], will substantially interfere with the effective conduct of the judicial proceedings or prejudice the rights of the parties, the particular provision of this chapter does not apply to that judicial proceeding and the court shall apply ch. 701, 2011 stats., as the court finds to be necessary to prevent interference with the

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1 effective conduct of the judicial proceeding and to avoid prejudicing the rights of the
2 parties.

3 **SECTION 155.** 701.13 of the statutes is repealed.

4 **SECTION 156.** 701.14 (title) and (1) of the statutes are repealed.

5 **SECTION 157.** 701.14 (2) of the statutes is renumbered 701.0205 and amended
6 to read:

7 **701.0205 Notice.** If notice of a judicial proceeding involving a trust proceeding
8 to ~~a~~ an interested person interested in the trust, to the person's representative or
9 guardian ad litem as ~~provided in s. 701.15,~~ or to other persons, is required by law or
10 deemed necessary by the court, the court shall order such notice to be given as
11 prescribed in s. 879.05 except that service by publication shall may not be required
12 unless ordered by the court. The court may order both personal service and service
13 by publication on designated persons. Proof of service shall be made as provided in
14 s. 879.07. ~~Persons interested in the trust~~ Interested persons, on behalf of
15 themselves, or their representatives or guardians ad litem as ~~provided in s. 701.15,~~
16 on behalf of ~~themselves~~ the representative or guardian ad litem and ~~those whom they~~
17 ~~represent~~ the interested person the representative or guardian ad litem represents,
18 may in writing waive service of notice and consent to the hearing of any matter
19 without notice. Waiver of notice or an appearance by any interested person
20 ~~interested in the trust~~ or the interested person's representative or guardian ad litem
21 as ~~provided in s. 701.15~~ is equivalent to timely service of notice.

22 **SECTION 158.** 701.14 (3) of the statutes is renumbered 701.0206 and amended
23 to read:

24 **701.0206 Attorney for person in military service.** At the time of filing a
25 petition for a ~~trust~~ judicial proceeding, involving a trust, the petitioner shall file an

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1 affidavit ~~shall be filed~~ setting forth the name of any interested person interested in
2 ~~the proceeding~~ who is actively engaged in the military service of the United States.
3 Whenever it appears by the affidavit or otherwise that any person in the active
4 military service of the United States is an interested in any trust proceeding person
5 and is not represented by an attorney, or by an attorney-in-fact who is duly
6 authorized to act on the interested person's behalf in the matter, the court shall
7 appoint an attorney to represent the interested person and protect the person's
8 interest.

9 **SECTION 159.** 701.14 (4) of the statutes is repealed.

10 **SECTION 160.** 701.15 of the statutes is repealed.

11 **SECTION 161.** 701.16 (title), (1), (2), (3), (4) (title) and (a) to (c), (5) and (6) of the
12 statutes are repealed.

13 **SECTION 162.** 701.16 (4) (d) of the statutes is renumbered 879.47 (2) and
14 amended to read:

15 879.47 (2) ~~Notwithstanding s. 879.47, trustees~~ Trustees and cotrustees may
16 submit to courts accounts in the format that they normally use for accounts
17 submitted to beneficiaries under this subsection, if all of the information required by
18 the court is included.

19 **SECTION 163.** 701.17 of the statutes is repealed.

20 **SECTION 164.** 701.18 of the statutes is repealed.

21 **SECTION 165.** 701.19 of the statutes is repealed.

22 **SECTION 166.** 701.20 (title) of the statutes is repealed.

23 **SECTION 167.** 701.20 (2) (intro.) of the statutes is repealed.

24 **SECTION 168.** 701.20 (2) (a) of the statutes is renumbered 701.1102 (1).

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1 **SECTION 169.** 701.20 (2) (b) of the statutes is renumbered 701.1102 (1m) and
2 amended to read:

3 701.1102 (1m) “Beneficiary” Notwithstanding s. 701.0103 (3), “beneficiary”
4 means a person who has a beneficial interest in a trust or an estate and includes, in
5 the case of a decedent’s estate, an heir, a legatee, and a devisee and, in the case of a
6 trust, an income beneficiary and a remainder beneficiary.

7 **SECTION 170.** 701.20 (2) (c) of the statutes is renumbered 701.1102 (2).

8 **SECTION 171.** 701.20 (2) (d) of the statutes is renumbered 701.1102 (3) and
9 amended to read:

10 701.1102 (3) “Income” means money or property that a fiduciary receives as
11 current return from a principal asset. “Income” includes a portion of receipts from
12 a sale, exchange, or liquidation of a principal asset, to the extent provided in ~~subs.~~
13 ~~(10)~~ ss. 701.1115 to (24) 701.1129.

14 **SECTION 172.** 701.20 (2) (e) of the statutes is renumbered 701.1102 (4).

15 **SECTION 173.** 701.20 (2) (f) of the statutes is renumbered 701.1102 (5).

16 **SECTION 174.** 701.20 (2) (g) of the statutes is renumbered 701.1102 (6).

17 **SECTION 175.** 701.20 (2) (h) of the statutes is renumbered 701.1102 (7) and
18 amended to read:

19 701.1102 (7) “Net income” means the total receipts allocated to income during
20 an accounting period, minus the disbursements made from income during the period,
21 plus or minus transfers under this ~~section~~ subchapter to or from income during the
22 period.

23 **SECTION 176.** 701.20 (2) (i) of the statutes is repealed.

24 **SECTION 177.** 701.20 (2) (j) of the statutes is renumbered 701.1102 (8).

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1 **SECTION 178.** 701.20 (2) (k) of the statutes is renumbered 701.1102 (9) and
2 amended to read:

3 701.1102 (9) “Remainder beneficiary” means a person entitled to receive
4 principal when an income interest ends who is a beneficiary under s. 701.0103 (21)
5 (b).

6 **SECTION 179.** 701.20 (2) (L), (m) and (n) of the statutes are repealed.

7 **SECTION 180.** 701.20 (3) of the statutes is renumbered 701.1103, and 701.1103
8 (1) and (2), as renumbered, are amended to read:

9 701.1103 (1) In allocating receipts and disbursements to income or principal
10 or between income and principal, and with respect to any matter within the scope of
11 ~~subs. (5)~~ ss. 701.1110 to (9) 701.1114, a fiduciary:

12 (a) Shall first administer a trust or estate in accordance with the terms of the
13 trust or the will, even if there is a different provision in this ~~section~~ subchapter.

14 (b) May administer a trust or estate by the exercise of a discretionary power
15 of administration given to the fiduciary by the terms of the trust or the will, even if
16 the exercise of the power produces a result different from a result required or
17 permitted by this ~~section~~ subchapter.

18 (c) Shall administer a trust or estate in accordance with this ~~section~~ subchapter
19 if the terms of the trust or the will do not contain a different provision or do not give
20 the fiduciary a discretionary power of administration.

21 (d) Shall add a receipt or charge a disbursement to principal to the extent that
22 the terms of the trust and this ~~section~~ subchapter do not provide a rule for allocating
23 the receipt or disbursement to principal or income or between principal and income.

24 (2) In exercising the power to adjust under ~~sub. (4) (a)~~ s. 701.1104 (1) or a
25 discretionary power of administration regarding a matter within the scope of this

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1 ~~section subchapter~~, whether granted by the terms of a trust, a will, or this ~~section~~
2 ~~subchapter~~, a fiduciary shall administer a trust or estate impartially, based on what
3 is fair and reasonable to all of the beneficiaries, except to the extent that the terms
4 of the trust or the will clearly manifest an intention that the fiduciary shall or may
5 favor one or more of the beneficiaries. A determination in accordance with this
6 ~~section subchapter~~ is presumed to be fair and reasonable to all of the beneficiaries.

7 **SECTION 181.** 701.20 (4) of the statutes is renumbered 701.1104, and 701.1104
8 (1), (2) (intro.), (3) (h) and (i), (4), (5) and (6) as renumbered, are amended to read:

9 701.1104 (1) A trustee may adjust between principal and income to the extent
10 the trustee considers necessary if the trustee invests and manages trust assets as a
11 prudent investor, the terms of the trust describe the amount that may or must be
12 distributed to a beneficiary by referring to the trust's income, and the trustee
13 determines, after applying the rules in ~~sub. (3) (a)~~ s. 701.1103 (1), that the trustee
14 is unable to comply with ~~sub. (3) (b)~~ s. 701.1103 (2).

15 (2) (intro.) In deciding whether and to what extent to exercise the power
16 conferred by ~~par. (a)~~ sub. (1), a trustee shall consider all factors relevant to the trust
17 and its beneficiaries, including the following factors to the extent they are relevant:

18 (3) (h) If the trust has been converted under ~~sub. (4g)~~ s. 701.1106 to a unitrust.

19 (i) If the trust is an express unitrust, as defined in ~~sub. (4j) (a)~~ s. 701.1107 (1).

20 (4) If ~~par. (e) 5., 6.~~ sub. (3) (e), (f), or 7. (g) applies to a trustee and there is more
21 than one trustee, a cotrustee to whom the provision does not apply may make the
22 adjustment unless the terms of the trust do not permit the exercise of the power by
23 that cotrustee.

24 (5) A trustee may release the entire power conferred by ~~par. (a)~~ sub. (1) or may
25 release only the power to adjust from income to principal or the power to adjust from

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1 principal to income if the trustee is uncertain about whether possessing or exercising
2 the power will cause a result described in ~~par. (e) 1. sub. (3) (a) to 6. (f)~~ or if the trustee
3 determines that possessing or exercising the power will or may deprive the trust of
4 a tax benefit or impose a tax burden not described in ~~par. (e) sub. (3)~~. The release may
5 be permanent or for a specified period, including a period measured by the life of an
6 individual.

7 (6) Terms of a trust that limit the power of a trustee to make an adjustment
8 between principal and income do not affect the application of this subsection unless
9 it is clear from the terms of the trust that the terms are intended to deny the trustee
10 the power of adjustment conferred by ~~par. (a) sub. (1)~~.

11 **SECTION 182.** 701.20 (4c) (title) of the statutes is renumbered 701.1105 (title).

12 **SECTION 183.** 701.20 (4c) (b) (intro.) of the statutes is renumbered 701.1105 (1)
13 (intro.) and amended to read:

14 701.1105 (1) (intro.) A trustee may, but is not required to, obtain approval of
15 a proposed action under ~~sub. (4) (a) s. 701.1104 (1)~~ by providing a written notice that
16 complies with all of the following:

17 **SECTION 184.** 701.20 (4c) (b) 1. of the statutes is renumbered 701.1105 (1) (a).

18 **SECTION 185.** 701.20 (4c) (b) 2. of the statutes is renumbered 701.1105 (1) (b).

19 **SECTION 186.** 701.20 (4c) (b) 3. (intro.) of the statutes is renumbered 701.1105
20 (1) (c) and amended to read:

21 701.1105 (1) (c) Is given to all sui-juris qualified beneficiaries ~~who are any of~~
22 ~~the following:~~

23 **SECTION 187.** 701.20 (4c) (b) 3. a., b. and c. of the statutes are repealed.

24 **SECTION 188.** 701.20 (4c) (b) 4. of the statutes is renumbered 701.1105 (1) (d),
25 and 701.1105 (1) (d) (intro.) and 4., as renumbered, are amended to read:

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1 701.1105 (1) (d) (intro.) States that it is given in accordance with this subsection
2 section and discloses the following information:

3 4. The effective date of the proposed action if no objection is received from any
4 beneficiary within the time specified in subd. ~~4. c. 3.~~

5 **SECTION 189.** 701.20 (4c) (c) of the statutes is renumbered 701.1105 (2) and
6 amended to read:

7 701.1105 (2) If a trustee gives notice of a proposed action under this subsection
8 section, the trustee is not required to give notice to a sui-juris qualified beneficiary
9 who consents to the proposed action in writing at any time before or after the
10 proposed action is taken.

11 **SECTION 190.** 701.20 (4c) (d) of the statutes is renumbered 701.1105 (3) and
12 amended to read:

13 701.1105 (3) A sui-juris qualified beneficiary may object to the proposed action
14 by giving a written objection to the trustee within the time specified in the notice
15 under ~~par. (b) 4. c. sub. (1) (d) 3.~~

16 **SECTION 191.** 701.20 (4c) (e) of the statutes is renumbered 701.1105 (4) and
17 amended to read:

18 701.1105 (4) A trustee may decide not to take a proposed action after the
19 trustee receives a written objection to the proposed action or at any other time for any
20 other reason. In that case, the trustee shall give written notice to the sui-juris
21 qualified beneficiaries of the decision not to take the proposed action.

22 **SECTION 192.** 701.20 (4c) (f) of the statutes is renumbered 701.1105 (5) and
23 amended to read:

24 701.1105 (5) If a trustee receives a written objection to a proposed action within
25 the time specified in the notice under ~~par. (b) 4. c. sub. (1) (d) 3.~~, either the trustee

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1 or the qualified beneficiary making the written objection may petition the court to
2 have the proposed action approved, modified, or prohibited. In the court proceeding,
3 the qualified beneficiary objecting to the proposed action has the burden of proving
4 that the proposed action should be modified or prohibited. A qualified beneficiary
5 who did not make the written objection may oppose the proposed action in the court
6 proceeding.

7 **SECTION 193.** 701.20 (4c) (g) of the statutes is renumbered 701.1105 (6) and
8 amended to read:

9 701.1105 (6) For purposes of this ~~subsection~~ section, a proposed action under
10 ~~sub. (4) s. 701.1104~~ includes a course of action or a decision not to take action under
11 ~~sub. (4) s. 701.1104~~.

12 **SECTION 194.** 701.20 (4g) (title) of the statutes is renumbered 701.1106 (title).

13 **SECTION 195.** 701.20 (4g) (a) (intro.) of the statutes is renumbered 701.1106 (1)
14 (intro.) and amended to read:

15 701.1106 (1) (intro.) Subject to ~~par. (d)~~ sub. (4), a trust may be converted to a
16 unitrust in any of the following ways:

17 **SECTION 196.** 701.20 (4g) (a) 1. (intro.) of the statutes is renumbered 701.1106
18 (1) (a) (intro.) and amended to read:

19 701.1106 (1) (a) (intro.) By the trustee, at his or her own discretion or at the
20 request of a qualified beneficiary, if all of the following apply:

21 **SECTION 197.** 701.20 (4g) (a) 1. a. of the statutes is renumbered 701.1106 (1)
22 (a) 1.

23 **SECTION 198.** 701.20 (4g) (a) 1. b. of the statutes is renumbered 701.1106 (1)
24 (a) 2. and amended to read:

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1 701.1106 (1) (a) 2. The trustee provides notice in the same manner as provided
2 in ~~sub. (4e) (b)~~ s. 701.1105 (1) of the trustee's intention to convert the trust to a
3 unitrust, and the notice advises how the unitrust will operate, including the fixed
4 percentage under ~~par. (e) 1.~~ sub. (3) (a) and any other initial determinations under
5 ~~par. (e) 4.~~ sub. (3) (d) that the trustee intends to follow.

6 **SECTION 199.** 701.20 (4g) (a) 1. c. of the statutes is repealed.

7 **SECTION 200.** 701.20 (4g) (a) 1. d. of the statutes is renumbered 701.1106 (1)
8 (a) 3. and amended to read:

9 701.1106 (1) (a) 3. Every sui-juris qualified beneficiary consents to the
10 conversion to a unitrust in a writing delivered to the trustee.

11 **SECTION 201.** 701.20 (4g) (a) 1. e. of the statutes is renumbered 701.1106 (1) (a)
12 4.

13 **SECTION 202.** 701.20 (4g) (a) 2. (intro.) of the statutes is renumbered 701.1106
14 (1) (b) (intro.) and amended to read:

15 701.1106 (1) (b) (intro.) By a court on the petition of the trustee or a qualified
16 beneficiary, if all of the following apply:

17 **SECTION 203.** 701.20 (4g) (a) 2. a. of the statutes is renumbered 701.1106 (1)
18 (b) 1. and amended to read:

19 701.1106 (1) (b) 1. The trustee or qualified beneficiary has provided notice
20 under ~~sub. (4e)~~ s. 701.1105 of the intention to request the court to convert the trust
21 to a unitrust, and the notice advises how the unitrust will operate, including the fixed
22 percentage under ~~par. (e) 1.~~ sub. (3) (a) and any other initial determinations under
23 ~~par. (e) 4.~~ sub. (3) (d) that will be requested.

24 **SECTION 204.** 701.20 (4g) (a) 2. b. of the statutes is renumbered 701.1106 (1)
25 (b) 2.

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1 **SECTION 205.** 701.20 (4g) (b), (c), (d) and (e) of the statutes are renumbered
2 701.1106 (2), (3), (4) and (5), and 701.1106 (2), (3) (a), (b), (c), (d) 7., (f) (intro.) and 2.,
3 (g) (intro.), 1. and 3. and (h), (4) (a) (intro.) and 1. and (b) and (5), as renumbered, are
4 amended to read:

5 701.1106 (2) In deciding whether to convert the trust to a unitrust under ~~par.~~
6 ~~(a) 1. sub. (1) (a) and in determining the fixed percentage under sub. (3) (b) 1.,~~ the
7 trustee shall consider all relevant factors under ~~sub. (4) (b) 1. to 9. s. 701.1104 (2) (a)~~
8 ~~to (i).~~

9 (3) (a) If a trust is converted to a unitrust under this subsection ~~section~~ by the
10 trustee or a court, notwithstanding ~~sub. (3) (a) 1. s. 701.1103 (1) (a) and 4. (d) and~~
11 ~~s. 701.21 701.1136~~ (4) the trustee shall make distributions in accordance with the
12 ~~creating trust~~ instrument, except that any reference in the ~~creating trust~~ instrument
13 to “income” means a fixed percentage of the net fair market value of the unitrust’s
14 assets, whether such assets otherwise would be considered income or principal under
15 this ~~section~~ subchapter, averaged over a preceding period determined by the trustee,
16 which is at least 3 years but not more than 5 years, or the period since the original
17 trust was created, whichever is less.

18 (b) 1. Subject to subd. 2. ~~b.~~, if the trust is converted to a unitrust under ~~par. (a)~~
19 ~~1. sub. (1) (a),~~ the trustee shall determine the fixed percentage to be applied under
20 ~~subd. 1. par. (a),~~ and the notice under ~~par. (a) 1. b. sub. (1) (a) 2.~~ must state the fixed
21 percentage. If the trust is converted to a unitrust under ~~par. (a) 2. sub. (1) (b),~~ the
22 court shall determine the fixed percentage to be applied under ~~subd. 1. par. (a).~~

23 2. Any fixed percentage under ~~subd. 1. par. (a)~~ that is determined by a trustee
24 may not be less than 3 percent nor more than 5 percent.

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1 (c) After a trust is converted to a unitrust, the trustee may, subject to the notice
2 requirement under ~~sub. (4e)~~ s. 701.1105 and with the consent of every *sui-juris*
3 qualified beneficiary, do any of the following:

4 1. Convert the unitrust back to the original trust under the creating trust
5 instrument.

6 2. Change the fixed percentage under ~~subd. 1. par. (a)~~, subject to ~~subd. 2. b. par.~~
7 (b) 2.

8 (d) 7. The averaging under ~~subd. 1. par. (a)~~ to a different preceding period,
9 which is at least 3 years but not more than 5 years.

10 (f) (intro.) Unless otherwise provided by the creating trust instrument, the
11 unitrust distribution is considered to have been paid from the following sources in
12 the order of priority:

13 2. Ordinary income for federal income tax purposes that is not net income
14 under ~~subd. 6. a. 1.~~

15 (g) (intro.) A court may, on the petition of the trustee or a qualified beneficiary,
16 do any of the following:

17 1. Change the fixed percentage that was determined under ~~subd. 2. par. (b)~~ by
18 the trustee or by a prior court order.

19 3. Average the valuation of the unitrust's assets over a period other than that
20 specified in ~~subd. 1. par. (a)~~.

21 (h) Conversion to a unitrust under this subsection section does not affect a
22 provision in the creating trust instrument that directs or authorizes the trustee to
23 distribute principal or that authorizes a beneficiary to withdraw a portion or all of
24 the principal.

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1 (4) (a) (intro.) A trust may not be converted under this ~~subsection~~ section to a
2 unitrust if any of the following applies:

3 1. The ~~creating~~ trust instrument specifically prohibits the conversion.

4 (b) Notwithstanding ~~subd. 1. par. (a)~~, if a trust may not be converted to a
5 unitrust solely because ~~subd. 1. g. par. (a) 7.~~ applies to a trustee, a cotrustee, if any,
6 to whom ~~subd. 1. g. par. (a) 7.~~ does not apply may convert the trust to a unitrust under
7 ~~par. (a) 1. sub. (1) (a)~~, unless prohibited by the creating instrument, or a court may
8 convert the trust to a unitrust under ~~par. (a) 2. sub. (1) (b)~~ on the petition of a trustee
9 or qualified beneficiary.

10 (5) A trustee may release the power conferred by ~~par. (a) 1. sub. (1) (a)~~ if the
11 trustee is uncertain about whether possessing or exercising the power will cause a
12 result described in ~~par. (d) 1. b. sub. (4) (a) 2. to f. 6.~~ or if the trustee determines that
13 possessing or exercising the power will or may deprive the trust of a tax benefit or
14 impose a tax burden not described in ~~par. (d) 1. sub. (4) (a)~~. The release may be
15 permanent or for a specified period, including a period measured by the life of an
16 individual.

17 **SECTION 206.** 701.20 (4j) of the statutes is renumbered 701.1107, and 701.1107
18 (1) and (2) (a), (e), (f) 2., (g) and (h), as renumbered, are amended to read:

19 701.1107 (1) In this ~~subsection~~ section, “express unitrust” means any trust that
20 by its governing trust instrument requires the distribution at least annually of a
21 unitrust amount equal to a fixed percentage of the net fair market value of the trust’s
22 assets, valued at least annually, other than a trust solely for charitable purposes or
23 a charitable split-interest trust under section 664 (d) or 170 (f) (2) (B) of the Internal
24 Revenue Code.

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1 (2) (a) To the extent not otherwise provided for in the governing trust
2 instrument, the unitrust amount of not less than 3 percent nor more than 5 percent
3 may be determined by reference to the net fair market value of the trust's assets
4 averaged over a preceding period determined by the trustee, which is at least 3 years
5 but not more than 5 years.

6 (e) The governing trust instrument may grant discretion to the trustee to adopt
7 a consistent practice of treating capital gains as part of the unitrust distribution, to
8 the extent that the unitrust distribution exceeds the income determined as if the
9 trust were not a unitrust, or it may specify the ordering of such classes of income.

10 (f) 2. Ordinary income for federal income tax purposes that is not net income
11 under subd. ~~6-a.~~ 1.

12 (g) The trust ~~document~~ instrument may provide that assets used by the trust
13 beneficiary, such as a residence or tangible personal property, may be excluded from
14 the net fair market value for computing the unitrust amount. Such use may be
15 considered equivalent to the income or unitrust amount.

16 (h) In the absence of contrary provisions in the governing document trust
17 instrument of an express unitrust, the provisions of ~~sub. (4g) (e) 1., 4. s. 701.1106 (3)~~
18 (a), (d), and 5. (e) apply.

19 **SECTION 207.** 701.20 (4k) of the statutes is renumbered 701.1108 and amended
20 to read:

21 **701.1108 Power to treat capital gains as part of a distribution.** Unless
22 prohibited by the governing instrument will or trust instrument, a trustee fiduciary
23 may cause gains from the sale or exchange of estate or trust assets property, as
24 determined for federal income tax purposes, to be taxed for federal income tax
25 purposes as part of a distribution of income that has been increased by an adjustment

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1 from principal to income under ~~sub. (4) s. 701.1104~~, of a unitrust distribution, of a
2 fixed annuity distribution, or of a principal distribution to a beneficiary.

3 **SECTION 208.** 701.20 (4m) (title) of the statutes is renumbered 701.1109 (title).

4 **SECTION 209.** 701.20 (4m) (a) of the statutes is renumbered 701.1109 (1) and
5 amended to read:

6 701.1109 (1) Nothing in this ~~section~~ subchapter creates a duty to make an
7 adjustment under ~~sub. (4) s. 701.1104~~ or to convert a trust to a unitrust under ~~sub.~~
8 ~~(4g) s. 701.1106~~. Unless it determines that the decision to make an adjustment or
9 to convert to a unitrust was an abuse of the fiduciary's discretion, a court may not
10 grant relief from any decision a fiduciary makes regarding the exercise of a
11 discretionary power conferred by ~~sub. (4) s. 701.1104~~ or ~~(4g) 701.1106~~.

12 **SECTION 210.** 701.20 (4m) (am) of the statutes is renumbered 701.1109 (2) and
13 amended to read:

14 701.1109 (2) An action taken under ~~sub. (4) s. 701.1104~~ or ~~(4g) 701.1106~~ is not
15 an abuse of a fiduciary's discretion if the fiduciary gave written notice of the proposed
16 action under ~~sub. (4e) s. 701.1105~~ and did not receive a timely written objection to
17 the notice. It is not an abuse of discretion not to exercise the power to adjust under
18 ~~sub. (4) s. 701.1104~~ or to convert under ~~sub. (4g) s. 701.1106~~.

19 **SECTION 211.** 701.20 (4m) (b) of the statutes is renumbered 701.1109 (3).

20 **SECTION 212.** 701.20 (4m) (c) of the statutes is renumbered 701.1109 (4), and
21 701.1109 (4) (c), as renumbered, is amended to read:

22 701.1109 (4) (c) To the extent that the court is unable, after applying ~~subds. 1.~~
23 ~~pars. (a) and 2. (b)~~, to place the beneficiaries, the trust, or both in the positions that
24 they would have occupied had the discretion not been abused, the court may order

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1 the fiduciary to pay an appropriate amount from its own funds to one or more of the
2 beneficiaries, the trust, or both.

3 **SECTION 213.** 701.20 (4m) (d) of the statutes is renumbered 701.1109 (5).

4 **SECTION 214.** 701.20 (5) of the statutes is renumbered 701.1110, and 701.1110
5 (1), (2) (intro.), (3), (4) and (5), as renumbered, are amended to read:

6 701.1110 (1) A fiduciary of an estate or of a terminating income interest shall
7 determine the amount of net income and net principal receipts received from
8 property specifically given to a beneficiary under the rules in ~~subs. (7)~~ ss. 701.1112
9 ~~to (30) 701.1135~~ that apply to trustees and the rules in ~~par. (e) sub. (5)~~. The fiduciary
10 shall distribute the net income and net principal receipts to the beneficiary who is
11 to receive the specific property.

12 (2) (intro.) A fiduciary shall determine the remaining net income of a decedent's
13 estate or a terminating income interest under the rules in ~~subs. (7)~~ ss. 701.1112 to
14 ~~(30) 701.1135~~ that apply to trustees and by:

15 (3) A fiduciary shall distribute to a beneficiary, including a trustee, who
16 receives a pecuniary amount not determined by a pecuniary formula related to a
17 transfer tax interest at the legal rate set forth in s. 138.04 on any unpaid portion of
18 the pecuniary amount for the period commencing one year after the decedent's death
19 or after the income interest in the trust ends. The interest under this ~~paragraph~~
20 subsection shall be distributed from net income determined under ~~par. (b) sub. (2)~~ or
21 from principal to the extent that net income is insufficient. For purposes of this
22 ~~paragraph subsection~~, the deferred marital property elective share amount elected
23 by a surviving spouse under s. 861.02 (1) is a bequest of a specific pecuniary amount
24 ~~of money~~ not determined by a pecuniary formula related to a transfer tax.

BILL**SECTION 214**

1 (4) A fiduciary shall distribute the net income remaining after distributions
2 required by ~~par. (e)~~ under subs. (1) to (3) in the manner described in ~~sub. (6)~~ s.
3 701.1111 to all other beneficiaries, including a beneficiary who receives a pecuniary
4 amount determined by a pecuniary formula related to a transfer tax.

5 (5) A fiduciary may not reduce principal or income receipts from property
6 described in ~~par. (a)~~ sub. (1) because of a payment described in ~~sub. (25)~~ s. 701.1130
7 or ~~(26)~~ 701.1131 to the extent that the will, the terms of the trust, or applicable law
8 requires the fiduciary to make the payment from assets other than the property or
9 to the extent that the fiduciary recovers or expects to recover the payment from a 3rd
10 party. The net income and principal receipts from the property are determined by
11 including all of the amounts the fiduciary receives or pays with respect to the
12 property, whether those amounts accrued or became due before, on, or after the date
13 of a decedent's death or an income interest's terminating event, and by making a
14 reasonable provision for amounts that the fiduciary believes the estate or
15 terminating income interest may become obligated to pay after the property is
16 distributed.

17 **SECTION 215.** 701.20 (6) of the statutes is renumbered 701.1111, and 701.1111
18 (1), (2) (d) and (4), as renumbered, are amended to read:

19 701.1111 (1) Each beneficiary described in ~~sub. (5) (d)~~ s. 701.1110 (4) is entitled
20 to receive a portion of the net income equal to the beneficiary's fractional interest in
21 undistributed principal assets, using values as of the distribution date. If a fiduciary
22 makes more than one distribution of assets to beneficiaries to whom this subsection
23 section applies, each beneficiary, including one who does not receive part of the
24 distribution, is entitled, as of each distribution date, to the net income the fiduciary

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1 has received after the date of death or terminating event or earlier distribution date
2 but has not distributed as of the current distribution date.

3 (2) (d) The distribution date for purposes of this subsection section may be the
4 date as of which the fiduciary calculates the value of the assets if that date is
5 reasonably near the date on which assets are actually distributed.

6 (4) A trustee may apply the rules in this subsection section, to the extent that
7 the trustee considers it appropriate, to net gain or loss realized after the date of death
8 or terminating event or earlier distribution date from the disposition of a principal
9 asset if this subsection section applies to the income from the asset.

10 **SECTION 216.** 701.20 (7) of the statutes is renumbered 701.1112, and 701.1112
11 (3), as renumbered, is amended to read:

12 701.1112 (3) An asset becomes subject to a successive income interest on the
13 day after the preceding income interest ends, as determined under ~~par. (d)~~ sub. (4),
14 even if there is an intervening period of administration to wind up the preceding
15 income interest.

16 **SECTION 217.** 701.20 (8) of the statutes is renumbered 701.1113, and 701.1113
17 (1) and (3), as renumbered, are amended to read:

18 701.1113 (1) A trustee shall allocate to principal an income receipt or
19 disbursement other than one to which ~~sub. (5) (a)~~ s. 701.1110 (1) applies if its due date
20 occurs before a decedent dies in the case of an estate or before an income interest
21 begins in the case of a trust or successive income interest.

22 (3) An item of income or an obligation is due on the date the payer is required
23 to make a payment. If a payment date is not stated, there is no due date for the
24 purposes of this section. Distributions to shareholders or other owners from an
25 entity, as defined in ~~sub. (10)~~ s. 701.1115, are due on the date fixed by the entity for

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1 determining who is entitled to receive the distribution or, if no date is fixed, on the
2 declaration date for the distribution. A due date is periodic for receipts or
3 disbursements that must be paid at regular intervals under a lease or an obligation
4 to pay interest or if an entity customarily makes distributions at regular intervals.

5 **SECTION 218.** 701.20 (9) (a) of the statutes is renumbered 701.1114, and
6 701.1114 (1), as renumbered, is amended to read:

7 **701.1114 (1)** In this subsection ~~section~~, “undistributed income” means net
8 income received before the date on which an income interest ends. “Undistributed
9 income” does not include an item of income or expense that is due or accrued or net
10 income that has been added or is required to be added to principal under the terms
11 of the trust.

12 **SECTION 219.** 701.20 (10) of the statutes is renumbered 701.1115, and 701.1115
13 (1), (2) and (5), as renumbered, is amended to read:

14 **701.1115 (1)** In this subsection ~~section~~, “entity” means a corporation,
15 partnership, limited liability company, regulated investment company, real estate
16 investment trust, common trust fund, or any other organization in which a trustee
17 has an interest other than a trust or estate to which ~~sub. (11)~~ s. 701.1116 applies, a
18 business or activity to which ~~sub. (12)~~ s. 701.1117 applies, or an asset-backed
19 security to which ~~sub. (24)~~ s. 701.1129 applies.

20 **(2)** Except as otherwise provided in this subsection ~~section~~, a trustee shall
21 allocate to income money received from an entity.

22 **(5)** Money is not received in partial liquidation, nor may it be taken into account
23 under ~~par. (d) 2.~~ sub. (4) (b), to the extent that it does not exceed the amount of income
24 tax that a trustee or beneficiary must pay on taxable income of the entity that
25 distributes the money.

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1 **SECTION 220.** 701.20 (11) of the statutes is renumbered 701.1116 and amended
2 to read:

3 **701.1116 Distribution from trust or estate.** A trustee shall allocate to
4 income an amount received as a distribution of income from a trust or an estate in
5 which the trust has an interest other than a purchased interest, and shall allocate
6 to principal an amount received as a distribution of principal from such a trust or
7 estate. If a trustee purchases an interest in a trust that is an investment entity, or
8 a decedent or donor transfers an interest in such a trust to a trustee, ~~sub. (10) s.~~
9 701.1115 or ~~(24) 701.1129~~ applies to a receipt from the trust.

10 **SECTION 221.** 701.20 (12) of the statutes is renumbered 701.1117 and 701.1117
11 (3) (g), as renumbered, is amended to read:

12 701.1117 (3) (g) Activities to which ~~sub. (23) s.~~ 701.1128 applies.

13 **SECTION 222.** 701.20 (13) of the statutes is renumbered 701.1118, and 701.1118
14 (1), (2), (3) and (6), as renumbered, are amended to read:

15 701.1118 (1) To the extent not allocated to income under this section
16 subchapter, assets received from a transferor during the transferor's lifetime, a
17 decedent's estate, a trust with a terminating income interest, or a payer under a
18 contract naming the trust or its trustee as beneficiary.

19 (2) Money or other property received from the sale, exchange, liquidation, or
20 change in form of a principal asset, including realized profit, subject to ~~subs. (10) ss.~~
21 701.1115 to ~~(24) 701.1129~~.

22 (3) Amounts recovered from 3rd parties to reimburse the trust because of
23 disbursements described in ~~sub. (26) (a) 7.~~ s. 701.1131 (1) (g) or for other reasons to
24 the extent not based on the loss of income.

25 (6) Other receipts as provided in ~~subs. (17) ss.~~ 701.1122 to ~~(24) 701.1129~~.

BILL**SECTION 223**

1 **SECTION 223.** 701.20 (14) of the statutes is renumbered 701.1119 and amended
2 to read:

3 **701.1119 Rental property.** To the extent that a trustee accounts for receipts
4 from rental property in accordance with this ~~subsection~~ section, the trustee shall
5 allocate to income an amount received as rent of real or personal property, including
6 an amount received for cancellation or renewal of a lease. An amount received as a
7 refundable deposit, including a security deposit or a deposit that is to be applied as
8 rent for future periods, must be added to principal and held subject to the terms of
9 the lease and is not available for distribution to a beneficiary until the trustee's
10 contractual obligations have been satisfied with respect to that amount.

11 **SECTION 224.** 701.20 (15) of the statutes is renumbered 701.1120, and 701.1120
12 (3), as renumbered, is amended to read:

13 701.1120 (3) This ~~subsection~~ section does not apply to an obligation to which
14 ~~sub. (18), (19), (20), (21), (23) s. 701.1123, 701.1124, 701.1125, 701.1126, 701.1128, or~~
15 ~~(24)~~ 701.1129 applies.

16 **SECTION 225.** 701.20 (16) of the statutes is renumbered 701.1121 and amended
17 to read:

18 **701.1121 Insurance policies and similar contracts.** (1) Except as
19 provided in ~~par. (b)~~ sub. (2), a trustee shall allocate to principal the proceeds of a life
20 insurance policy or other contract in which the trust or its trustee is named as
21 beneficiary, including a contract that insures the trust or its trustee against loss for
22 damage to, destruction of, or loss of title to, a trust asset. The trustee shall allocate
23 dividends on an insurance policy to income if the premiums on the policy are paid
24 from income, and to principal if the premiums are paid from principal.

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1 (2) A trustee shall allocate to income proceeds of a contract that insures the
2 trustee against loss of occupancy or other use by an income beneficiary, loss of
3 income, or, subject to ~~sub. (12)~~ s. 701.1117, loss of profits from a business.

4 (3) This ~~subsection~~ section does not apply to a contract to which ~~sub. (18)~~ s.
5 701.1123 applies.

6 **SECTION 226.** 701.20 (17) of the statutes is renumbered 701.1122, and 701.1122
7 (intro.), as renumbered, is amended to read:

8 **701.1122 Insubstantial allocations not required.** (intro.) If a trustee
9 determines that an allocation between principal and income required by ~~sub. (15) (b),~~
10 ~~(18), (19), (20), (21)~~ s. 701.1120 (2), 701.1123, 701.1124, 701.1125, 701.1126, or (24)
11 701.1129 is insubstantial, the trustee may allocate the entire amount to principal
12 unless one of the circumstances described in ~~sub. (4) (e)~~ s. 701.1104 (3) applies to the
13 allocation. This power may be exercised by a cotrustee in the circumstances
14 described in ~~sub. (4) (d)~~ s. 701.1104 (4) and may be released for the reasons and in
15 the manner described in ~~sub. (4) (e)~~ s. 701.1104 (5). An allocation is presumed to be
16 insubstantial if:

17 **SECTION 227.** 701.20 (18) (title) of the statutes is renumbered 701.1123 (title).

18 **SECTION 228.** 701.20 (18) (a) of the statutes is repealed.

19 **SECTION 229.** 701.20 (18) (b) of the statutes is renumbered 701.1123 (2) and
20 amended to read:

21 701.1123 (2) To the extent that a payment is characterized as interest ~~or,~~ a
22 dividend, or a payment made in lieu of interest or a dividend, a trustee shall allocate
23 it the payment to income. The trustee shall allocate to principal the balance of the
24 payment and any other payment received in the same accounting period that is not

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1 characterized as interest, a dividend, or ~~an equivalent~~ a payment in lieu of interest
2 or a dividend.

3 **SECTION 230.** 701.20 (18) (c) 1. of the statutes is renumbered 701.1123 (1) (d)
4 and amended to read:

5 701.1123 (1) (d) ~~In this paragraph “plan~~ “Plan income” means any of the
6 following:

7 1. With respect to payments received from a plan that maintains separate
8 accounts ~~or funds~~ for its participants or account holders, ~~such as defined contribution~~
9 ~~retirement plans, individual retirement accounts, Roth individual retirement~~
10 ~~accounts, and some types of deferred compensation plans~~, either the amount of the
11 plan separate account ~~or fund~~ held for the benefit of the trust that, if the plan
12 separate account ~~or fund~~ were a trust, would be allocated to income ~~under pars. (b)~~
13 ~~and (d)~~ for that accounting period, or 4 percent of the value of the plan account ~~or fund~~
14 on the first day of the accounting period. The trustee shall, ~~in his or her discretion,~~
15 choose the method of determining “plan income” under this ~~subd. 1. a.~~ subdivision,
16 and may change the method of determining “plan income” under this ~~subd. 1. a.~~
17 subdivision for any subsequent accounting period.

18 2. With respect to payments received from a plan that does not maintain
19 separate accounts ~~or funds~~ for its participants or account holders, ~~such as defined~~
20 ~~benefit retirement plans and some types of deferred compensation plans~~, 4 percent
21 of the total present value of the trust’s interest in the plan as of the first day of the
22 accounting period, based on reasonable actuarial assumptions as determined by the
23 trustee.

24 **SECTION 231.** 701.20 (18) (c) 2. of the statutes is renumbered 701.1123 (3) and
25 amended to read:

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1 701.1123 (3) For each accounting period of a trust in which the trust receives
2 a payment but no part of any payment is allocated to income under ~~par. (b)~~ sub. (2),
3 the trustee shall allocate to income that portion of the aggregate value of all
4 payments received by the trustee in that accounting period that is equal to the
5 amount of plan income that is attributable to the trust's interest in the plan from
6 which payment is received for that accounting period. The trustee shall allocate the
7 balance of any payments to principal.

8 **SECTION 232.** 701.20 (18) (d) of the statutes is renumbered 701.1123 (5) and
9 amended to read:

10 701.1123 (5) If, to obtain an estate or gift tax marital deduction for an interest
11 in a trust, a trustee must allocate more of a payment to income than provided for by
12 this ~~subsection~~ section, the trustee shall allocate to income the additional amount
13 necessary to obtain the marital deduction.

14 **SECTION 233.** 701.20 (18) (e) of the statutes is renumbered 701.1123 (6) and
15 amended to read:

16 701.1123 (6) This ~~subsection~~ section does not apply to ~~payments~~ a payment to
17 which ~~sub. (19) s. 701.1124~~ applies.

18 **SECTION 234.** 701.20 (19) of the statutes is renumbered 701.1124, and 701.1124
19 (1), as renumbered, is amended to read:

20 701.1124 (1) In this ~~subsection~~ section, “liquidating asset” means an asset
21 whose value will diminish or terminate because the asset is expected to produce
22 receipts for a period of limited duration. The term includes a leasehold, patent,
23 copyright, royalty right, and right to receive payments during a period of more than
24 one year under an arrangement that does not provide for the payment of interest on
25 the unpaid balance. The term does not include a payment subject to ~~sub. (18) s.~~

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1 701.1123, resources subject to ~~sub. (20)~~ s. 701.1125, timber subject to ~~sub. (21)~~ s.
2 701.1126, an activity subject to ~~sub. (23)~~ s. 701.1128, an asset subject to ~~sub. (24)~~ s.
3 701.1129, or any asset for which the trustee establishes a reserve for depreciation
4 under ~~sub. (27)~~ s. 701.1132.

5 **SECTION 235.** 701.20 (20) of the statutes is renumbered 701.1125, and 701.1125
6 (1) (intro.) and (d), (3) and (4), as renumbered, are amended to read:

7 701.1125 (1) (intro.) To the extent that a trustee accounts for receipts from an
8 interest in minerals or other natural resources in accordance with this ~~subsection~~
9 section, the trustee shall allocate them as follows:

10 (d) If an amount is received from a working interest or any other interest not
11 provided for in ~~subd. 1., 2. par. (a), (b), or 3. (c)~~, 90 percent of the net amount received
12 must be allocated to principal and the balance to income.

13 (3) This ~~subsection~~ section applies whether or not a decedent or donor was
14 extracting minerals, water, or other natural resources before the interest became
15 subject to the trust.

16 (4) If a trust owns an interest in minerals, water, or other natural resources
17 on May 17, 2005, the trustee may allocate receipts from the interest as provided in
18 this ~~subsection~~ section or in the manner used by the trustee before May 17, 2005.
19 If the trust acquires an interest in minerals, water, or other natural resources after
20 May 17, 2005, the trustee shall allocate receipts from the interest as provided in this
21 ~~subsection~~ section.

22 **SECTION 236.** 701.20 (21) (title) of the statutes is repealed.

23 **SECTION 237.** 701.20 (21) of the statutes is renumbered 701.1126, and 701.1126
24 (1) (intro.), (c) and (d), (2), (3) and (4), as renumbered, are amended to read:

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1 701.1126 (1) (intro.) To the extent that a trustee accounts for receipts from the
2 sale of timber and related products in accordance with this ~~subsection~~ section, the
3 trustee shall allocate the net receipts:

4 (c) To income or principal or between income and principal if the net receipts
5 are from the lease of timberland or from a contract to cut timber from land owned by
6 a trust, by determining the amount of timber removed from the land under the lease
7 or contract and applying the rules in ~~subds. 1. pars. (a) and 2. (b).~~

8 (d) To principal to the extent that advance payments, bonuses, and other
9 payments are not allocated under ~~subd. 1., 2. par. (a), (b), or 3. (c).~~

10 (2) In determining net receipts to be allocated under ~~par. (a)~~ sub. (1), a trustee
11 shall deduct and transfer to principal a reasonable amount for depletion.

12 (3) This ~~subsection~~ section applies whether or not a decedent or transferor was
13 harvesting timber from the property before it became subject to the trust.

14 (4) If a trust owns an interest in timberland on May 17, 2005, the trustee may
15 allocate net receipts from the sale of timber and related products as provided in this
16 ~~subsection~~ section or in the manner used by the trustee before May 17, 2005. If the
17 trust acquires an interest in timberland after May 17, 2005, the trustee shall allocate
18 net receipts from the sale of timber and related products as provided in this
19 ~~subsection~~ section.

20 **SECTION 238.** 701.20 (22) of the statutes is renumbered 701.1127 and amended
21 to read:

22 **701.1127 Property not productive of income.** (1) If a marital deduction
23 is allowed for all or part of a trust whose assets consist substantially of property that
24 does not provide the surviving spouse with sufficient income from or use of the trust
25 assets, and if the amounts that the trustee transfers from principal to income under

BILL**SECTION 238**

1 sub. (4) s. 701.1104 and distributes to the spouse from principal in accordance with
2 the terms of the trust are insufficient to provide the spouse with the beneficial
3 enjoyment required to obtain the marital deduction, the spouse may require the
4 trustee to make property productive of income, convert property within a reasonable
5 time, or exercise the power conferred by ~~sub. (4) (a)~~ s. 701.1104 (1). The trustee may
6 decide which action or combination of actions to take.

7 (2) In cases not governed by ~~par. (a)~~ sub. (1), proceeds from the sale or other
8 disposition of an asset are principal without regard to the amount of income the asset
9 produces during any accounting period.

10 **SECTION 239.** 701.20 (23) of the statutes is renumbered 701.1128, and 701.1128
11 (1) and (2), as renumbered, are amended to read:

12 701.1128 (1) In this ~~subsection~~ section, “derivative” means a contract or
13 financial instrument or a combination of contracts and financial instruments that
14 gives a trust the right or obligation to participate in some or all changes in the price
15 of a tangible or intangible asset or group of assets, or changes in a rate, an index of
16 prices or rates, or another market indicator for an asset or a group of assets.

17 (2) To the extent that a trustee does not account under ~~sub. (12)~~ s. 701.1117 for
18 transactions in derivatives, the trustee shall allocate to principal receipts from and
19 disbursements made in connection with those transactions.

20 **SECTION 240.** 701.20 (24) of the statutes is renumbered 701.1129, and 701.1129
21 (1), as renumbered, is amended to read:

22 701.1129 (1) In this ~~subsection~~ section, “asset-backed security” means an asset
23 whose value is based upon the right it gives the owner to receive distributions from
24 the proceeds of financial assets that provide collateral for the security. The term
25 includes an asset that gives the owner the right to receive from the collateral

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1 financial assets only the interest or other current return or only the proceeds other
2 than interest or current return. The term does not include an asset to which ~~sub. (10)~~
3 s. 701.1115 or ~~(18)~~ 701.1123 applies.

4 **SECTION 241.** 701.20 (25) of the statutes is renumbered 701.1130, and 701.1130
5 (intro.), as renumbered, are amended to read:

6 **701.1130 Disbursements from income.** (intro.) A trustee shall make the
7 following disbursements from income to the extent that they are not disbursements
8 specified in ~~sub. (5) (b) 2.~~ s. 701.1110 (2) (b) or 3. (c):

9 **SECTION 242.** 701.20 (26) of the statutes is renumbered 701.1131, and 701.1131
10 (1) (a), (e) and (g), as renumbered, are amended to read:

11 701.1131 (1) (a) The remaining one-half of the disbursements described in ~~sub.~~
12 ~~(25) (a)~~ s. 701.1130 (1) and (b) (2).

13 (e) Premiums paid on a policy of insurance not described in ~~sub. (25) (d)~~ s.
14 701.1130 (4) of which the trust is the owner and beneficiary.

15 (g) Disbursements related to environmental matters, including reclamation,
16 assessing environmental conditions, remedying and removing environmental
17 contamination, monitoring remedial activities and the release of substances,
18 preventing future releases of substances, collecting amounts from persons liable or
19 potentially liable for the costs of those activities, penalties imposed under
20 environmental laws or regulations law and other payments made to comply with
21 ~~those laws or regulations~~ environmental law, statutory or common law claims by 3rd
22 parties, and defending claims based on environmental matters.

23 **SECTION 243.** 701.20 (27) of the statutes is renumbered 701.1132, and 701.1132
24 (1) and (2) (c), as renumbered, are amended to read:

BILL**SECTION 243**

1 701.1132 (1) In this ~~subsection~~ section, “depreciation” means a reduction in
2 value due to wear, tear, decay, corrosion, or gradual obsolescence of a fixed asset
3 having a useful life of more than one year.

4 (2) (c) Under this ~~subsection~~ section if the trustee is accounting under ~~sub. (12)~~
5 s. 701.1117 for the business or activity in which the asset is used.

6 **SECTION 244.** 701.20 (28) of the statutes is renumbered 701.1133, and 701.1133
7 (1), (2) (intro.) and (e) and (3), as renumbered, are amended to read:

8 701.1133 (1) If a trustee makes or expects to make a principal disbursement
9 described in this ~~subsection~~ section, the trustee may transfer an appropriate amount
10 from income to principal in one or more accounting periods to reimburse principal
11 or to provide a reserve for future principal disbursements.

12 (2) (intro.) Principal disbursements to which ~~par. (a)~~ sub. (1) applies include the
13 following, but only to the extent that the trustee has not been and does not expect
14 to be reimbursed by a 3rd party:

15 (e) Disbursements described in ~~sub. (26) (a) 7.~~ s. 701.1131 (1) (g).

16 (3) If the asset whose ownership gives rise to the disbursements becomes
17 subject to a successive income interest after an income interest ends, a trustee may
18 continue to transfer amounts from income to principal as provided in ~~par. (a)~~ sub. (1).

19 **SECTION 245.** 701.20 (29) (title) of the statutes is renumbered 701.1134 (title).

20 **SECTION 246.** 701.20 (29) (a) of the statutes is renumbered 701.1134 (1).

21 **SECTION 247.** 701.20 (29) (b) of the statutes is renumbered 701.1134 (2).

22 **SECTION 248.** 701.20 (29) (c) (intro.) of the statutes is renumbered 701.1134 (3)
23 (intro.) and amended to read:

24 701.1134 (3) (intro.) A tax required to be paid by a trustee on the trust’s share
25 of an entity’s taxable income must be paid ~~proportionately~~ as follows:

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1 **SECTION 249.** 701.20 (29) (c) 1. of the statutes is renumbered 701.1134 (3) (a)
2 and amended to read:

3 701.1134 (3) (a) From income to the extent that receipts from the entity are
4 allocated only to income.

5 **SECTION 250.** 701.20 (29) (c) 2. (intro.) and a. of the statutes are consolidated,
6 renumbered 701.1134 (3) (b) and amended to read:

7 701.1134 (3) (b) From principal to the extent that: ~~2. a. Receipts~~ receipts from
8 the entity are allocated only to principal.

9 **SECTION 251.** 701.20 (29) (c) 2. b. of the statutes is repealed.

10 **SECTION 252.** 701.20 (29) (d) of the statutes is repealed.

11 **SECTION 253.** 701.20 (30) of the statutes is renumbered 701.1135, and 701.1135
12 (1) (a), as renumbered, is amended to read:

13 701.1135 (1) (a) Elections and decisions, other than those described in ~~par. (b)~~
14 sub. (2), that the fiduciary makes from time to time regarding tax matters.

15 **SECTION 254.** 701.20 (31) of the statutes is repealed.

16 **SECTION 255.** 701.21 of the statutes is renumbered 701.1136, and 701.1136 (1),
17 (2) and (4), as renumbered, are amended to read:

18 701.1136 (1) DISTRIBUTION OF INCOME. Except as otherwise determined by the
19 trustee or a court under s. ~~701.20 (4g)~~ 701.1106 with respect to unitrust distributions,
20 if a beneficiary is entitled to receive income from a trust, but the ~~creating trust~~
21 instrument fails to specify how frequently it is to be paid, the trustee shall distribute
22 at least annually the income to which such beneficiary is entitled.

23 (2) PERMITTED ACCUMULATIONS. No provision directing or authorizing
24 accumulation of ~~trust income shall be~~ is invalid.

BILL**SECTION 255**

1 (4) DISPOSITION OF ACCUMULATED INCOME. Income not required to be distributed
2 by the creating trust instrument, ~~in the absence of a governing provision in the~~
3 ~~instrument,~~ may, in the trustee's discretion, be held in reserve for future distribution
4 as income or be added to principal subject to retransfer to income of the dollar amount
5 originally transferred to principal; ~~but at.~~ At the termination of the income interest,
6 any undistributed income shall be distributed as principal.

7 **SECTION 256.** 701.22 (title) of the statutes is repealed.

8 **SECTION 257.** 701.22 of the statutes is renumbered 701.0417 (4) and amended
9 to read:

10 701.0417 (4) In case of a division of a trust assets into 2 or more trusts ~~or shares~~,
11 any distribution or allocation of assets as an equivalent of a dollar amount fixed by
12 formula or otherwise shall be made at current fair market values unless the
13 ~~governing trust~~ instrument expressly provided that another value may be used. If
14 the ~~governing trust~~ instrument requires or permits a different value to be used, all
15 ~~assets property~~ available for distribution, including cash, shall, ~~unless otherwise~~
16 ~~expressly provided,~~ be so distributed so that the ~~assets property~~, including cash,
17 ~~distributed as such an equivalent will be~~ is fairly representative of the net
18 appreciation or depreciation in the value of the available property on the date or
19 dates of distribution. A provision in the ~~governing trust~~ instrument that the trustee
20 may fix values for purposes of distribution or allocation does not of itself constitute
21 authorization to fix a value other than current fair market value.

22 **SECTION 258.** 701.23 of the statutes is repealed.

23 **SECTION 259.** 701.24 (title) of the statutes is renumbered 701.1205 (title).

24 **SECTION 260.** 701.24 (1) of the statutes is renumbered 701.1205 (1) and
25 amended to read:

BILL

1 701.1205 (1) Except as otherwise provided in sub. (3) (2) and s. ~~701.19 (9) (a),~~
2 ~~ss. 701.01 to 701.19, 701.21, 701.22, and 701.23~~ are ss. 701.0602, 701.0813, and
3 701.0903 (4), this chapter is applicable to a trust existing on July 1, 1971 the effective
4 date of this subsection [LRB inserts date], as well as a trust created after such
5 date, and shall govern trustees acting under such trusts. If application of any
6 provision of ~~ss. 701.01 to 701.19, 701.21, 701.22, and 701.23~~ this chapter to a trust
7 in existence on ~~August 1, 1971~~ the effective date of this subsection [LRB inserts
8 date], is unconstitutional, it shall not affect application of the provision to a trust
9 created after that date.

10 **SECTION 261.** 701.24 (2) of the statutes is renumbered 701.1205 (2) and
11 amended to read:

12 701.1205 (2) ~~Section 701.20 Subchapter XI of this chapter~~ applies to every a
13 trust or decedent's estate existing on ~~May 17, 2005~~ the effective date of this
14 subsection [LRB inserts date], and to every a trust or decedent's estate created or
15 coming into existence after that date, except as otherwise expressly provided in s.
16 ~~701.20 subch. XI~~ or by the decedent's will or the terms of the trust. With respect to
17 a trust or decedent's estate existing on ~~May 17, 2005, s. 701.20 (5) to (30)~~ the effective
18 date of this subsection [LRB inserts date], ss. 701.1110 to 701.1135 shall apply at
19 the beginning of the trust's or estate's first accounting period, as defined in s. ~~701.20~~
20 ~~701.1125 (2) (a),~~ that begins on or after ~~May 17, 2005~~ the effective date of this
21 subsection [LRB inserts date].

22 **SECTION 262.** 701.24 (3) of the statutes is repealed.

23 **SECTION 263.** 701.25 of the statutes is renumbered 701.1204.

24 **SECTION 264.** 701.26 of the statutes is repealed.

25 **SECTION 265.** 702.01 (intro.) of the statutes is renumbered 702.02 (intro.).