

SESSION OF 2003

SUPPLEMENTAL NOTE ON SENATE BILL NO. 37

As Recommended by Senate Committee on
Judiciary

Brief*

SB 37 amends the Uniform Principal and Income Act regarding how the gross receipts from oil and gas royalties are distributed between principal and income.

Current law governs what portion of an interest in a mineral or any other natural resource is to be received directly by a trustee as income and what portion is dedicated to the principal of the trust. Currently, if the receipts are from a royalty, shut-in-well payment, take-or-pay payment, bonus, working interest, substantial delay rental, or any other source not specifically excluded by statute, 90 percent of the net amount received must be allocated to the principal. The remaining 10 percent is allocated to the trustee as income. SB 37 would reduce the allocated principal amount to 15 percent, with the remaining 85 percent allocated to income.

Background

The bill was supported by the Judicial Council Probate Law Advisory Committee. The suggested change is consistent with the laws of surrounding states and would place the Kansas law basically as it was prior to amendments made in 2000.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/kldr>