CHAPTER 366

(Senate Bill 170)

AN ACT to add new Sections 199D to 199-I, inclusive, to Article 16 of the Annotated Code of Maryland (1970 Supplement), title "Chancery," to follow immediately after Section 199C thereof and to be under the new subtitle "Administration of Charitable Trusts," to regulate the administration of any trust which is a "private foundation," "charitable trust," or "split-interest trust" as defined in Sections 509, 4947 (a) (1) and 4947 (a) (2), respectively, of the Internal Revenue Code of 1954 by prohibiting self-dealing, retention of excess business holdings, improper investments and improper expenditures, and by requiring minimum annual distributions, all as defined and provided by Sections 4941 (d), 4943 (c), 4944, 4945 (d) and 4942 (a), respectively, of the Internal Revenue Code of 1954.

SECTION 1. *Be it enacted by the General Assembly of Maryland,* That new Sections 199D to 199-I, inclusive, be and they are hereby added to Article 16 of the Annotated Code of Maryland (1970 Supplement), title "Chancery," to follow immediately after Section 199C thereof, to be under the new subtitle "Administration of Charitable Trusts," and to read as follows:

Administration of Charitable Trusts

199D.

In the administration of any trust which is a "private foundation," as defined in Section 509 of the Internal Revenue Code of 1954, a "charitable trust," as defined in Section 4947 (a) (1) of the Internal Revenue Code of 1954, or a "split-interest trust," as defined in Section 4947 (a) (2) of the Internal Revenue Code of 1954, the following acts shall be prohibited:

(a) engaging in any act of "self-dealing" (as defined in Section 4941 (d) of the Internal Revenue Code of 1954), which would give rise to any liability for the tax imposed by Section 4941 (a) of the Internal Revenue Code of 1954;

(b) retaining any "excess business holdings" (as defined in Section 4943 (c) of the Internal Revenue Code of 1954) which would give rise to any liability for the tax imposed by Section 4943 (a) of the Internal Revenue Code of 1954;

(c) making any investments which would jeopardize the carrying out of any of the exempt purposes of the trust, within the meaning of Section 4944 of the Internal Revenue Code of 1954, so as to give rise to any liability for the tax imposed by Section 4944 (a) of the Internal Revenue Code of 1954; and

(d) making any "taxable expenditures" (as defined in Section 4945 (d) of the Internal Revenue Code of 1954) which would give rise to any liability for the tax imposed by Section 4945 (a) of the Internal Revenue Code of 1954;

provided, however, that this section shall not apply either to those split-interest trusts or to amounts thereof which are not subject to