

CHAPTER 705

(House Bill 919)

AN ACT concerning

Trusts - Allocation of Certain Capital Gains
Distributions by Regulated Investment Companies

FOR the purpose of authorizing trustees to elect to allocate to income certain distributions by regulated investment companies of realized capital gains.

BY repealing and reenacting, with amendments,

Article - Estates and Trusts
Section 14-205
Annotated Code of Maryland
(1974 Volume and 1988 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article - Estates and Trusts

14-205.

(a) Corporate distributions of shares of the distributing corporation (whether or not of the same class), including distributions in the form of a stock split or stock dividend, are principal but the provisions of this subsection shall not apply to successive estates or interests in existence prior to June 1, 1965, in which the life tenant is entitled to stock dividends representing earnings during the life tenancy. A right to subscribe to shares or other securities issued by the distributing corporation accruing to stockholders on account of their stock ownership and the proceeds of any sale of the right are principal.

(b) Except to the extent that the corporation indicates that some part of a corporate distribution is a settlement of preferred or guaranteed dividends accrued since the trustee became a stockholder or is in lieu of an ordinary cash dividend, a corporate distribution is principal if the distribution is pursuant to:

(1) A call of shares;

(2) A merger, consolidation, reorganization, or other plan by which assets of the corporation are acquired by another corporation; or