

Annotated Code of Maryland
(1991 Replacement Volume and 1992 Supplement)

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

Article - Estates and Trusts

14-206.

(a) Bonds or other obligations for the payment of money, and ground rents, are principal at their inventory value, except as provided in subsection (b) ~~for discount bonds~~ OF THIS SECTION. No provision shall be made for amortization of premiums or for accumulation for discount. The proceeds of sale, redemption, or other disposition of the bonds, obligations or ground rents, are principal.

(B) (1) THIS SUBSECTION APPLIES TO ANY OBLIGATION FOR THE PAYMENT OF MONEY AT A FUTURE TIME, INCLUDING:

- (I) A BOND;
- (II) A ZERO COUPON BOND;
- (III) AN ANNUITY CONTRACT BEFORE ANNUITIZATION;
- (IV) A LIFE INSURANCE CONTRACT BEFORE THE DEATH OF THE INSURED; AND

(V) AN INTEREST IN A COMMON TRUST FUND AS DEFINED UNDER § 584 OF THE INTERNAL REVENUE CODE WITH RESPECT TO CHARITABLE REMAINDER TRUSTS AS DEFINED UNDER § 664 OF THE INTERNAL REVENUE CODE AND POOLED INCOME FUNDS AS DEFINED UNDER § 642(C)(5) OF THE INTERNAL REVENUE CODE.

[(b)] (2) [The] UNLESS OTHERWISE PROVIDED IN THE TRUST INSTRUMENT OR IN THIS SUBTITLE, THE increment in value of [a bond or other] AN obligation for the payment of money payable at a future time in accordance with a fixed, VARIABLE, OR DISCRETIONARY schedule of appreciation in excess of the price at which it was issued is distributable as income.

(3) The increment in value is distributable to the beneficiary who was the income beneficiary at the time of increment from the first principal cash available or, if none is available, when realized by sale, redemption, or other disposition. Whenever unrealized increment is distributed as income but out of principal, the principal shall be reimbursed for the increment when realized.

(4) FOR PURPOSES OF THIS SUBSECTION, THE INCREMENT IN VALUE OF AN OBLIGATION FOR THE PAYMENT OF MONEY SHALL BE AVAILABLE FOR DISTRIBUTION ONLY WHEN THE TRUSTEE RECEIVES CASH ON ACCOUNT OF THE OBLIGATION.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 1993.