

(3) EXERCISE ANY POLICY OPTIONS, RIGHTS, OR PRIVILEGES AVAILABLE UNDER ANY CONTRACT OF ~~INSURANCE~~ LIFE INSURANCE IN THE TRUST, INCLUDING ANY RIGHT TO BORROW THE CASH VALUE OR RESERVE OF THE POLICY, ACQUIRE A PAID-UP POLICY, OR CONVERT TO A DIFFERENT POLICY.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all trusts existing on or after the effective date of this Act.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 1997.

Approved May 22, 1997.

CHAPTER 608

(Senate Bill 633)

AN ACT concerning

Estates and Trusts – Stock Distributions

FOR the purpose of establishing that, for purposes of determining income and principal of a trust, certain stock distributions or spin-offs of shares of stock of a corporation are principal.

BY repealing and reenacting, with amendments,

Article – Estates and Trusts

Section 14-205(a)

Annotated Code of Maryland

(1991 Replacement Volume and 1996 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) THE FOLLOWING ARE PRINCIPAL:

(1) [Corporate distributions] A CORPORATE DISTRIBUTION 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[.];

(2) 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]; AND