

(I) A CORPORATION, TRUST, OR ASSOCIATION MORE THAN 50% OF THE VOTING POWER OR VALUE OF THE BENEFICIAL INTEREST OR SHARES OF WHICH, AT ANY TIME DURING WHICH THE CORPORATION, TRUST, OR ASSOCIATION SATISFIES ITEM (1)(III) OF THIS SUBSECTION, IS OWNED OR CONTROLLED, DIRECTLY OR INDIRECTLY, BY:

~~(1)~~ 1. A REAL ESTATE INVESTMENT TRUST OTHER THAN A REAL ESTATE INVESTMENT TRUST DESCRIBED IN ITEM (1) OF THIS SUBSECTION; OR

~~(II) A QUALIFIED REAL ESTATE INVESTMENT TRUST SUBSIDIARY UNDER § 856(I) OF THE INTERNAL REVENUE CODE.~~

2. A PERSON EXEMPT FROM TAXATION UNDER § 501 OF THE INTERNAL REVENUE CODE; OR

3. A LISTED AUSTRALIAN PROPERTY TRUST; OR

(II) SUBJECT TO REGULATIONS THAT THE COMPTROLLER ADOPTS, A REAL ESTATE INVESTMENT TRUST THAT IS INTENDED TO BECOME REGULARLY TRADED ON AN ESTABLISHED SECURITIES MARKET AND THAT SATISFIES THE REQUIREMENTS OF § 856(A)(5) AND (6) OF THE INTERNAL REVENUE CODE BY REASON OF § 856(H)(2) OF THE INTERNAL REVENUE CODE.

(B) IN ADDITION TO THE MODIFICATIONS UNDER §§ 10-305 THROUGH 10-306.1 OF THIS SUBTITLE, AN AMOUNT EQUAL TO THE AMOUNT OF THE DIVIDENDS PAID DEDUCTION ALLOWED UNDER THE INTERNAL REVENUE CODE FOR THE TAXABLE YEAR IS ADDED TO FEDERAL TAXABLE INCOME TO DETERMINE THE MARYLAND MODIFIED INCOME OF A CAPTIVE REIT.

(C) FOR PURPOSES OF THIS SECTION, THE CONSTRUCTIVE OWNERSHIP RULES PRESCRIBED UNDER § 318(A) OF THE INTERNAL REVENUE CODE, AS MODIFIED BY § 856(D)(5) OF THE INTERNAL REVENUE CODE, SHALL APPLY IN DETERMINING THE OWNERSHIP OF STOCK, ASSETS, OR NET PROFITS OF ANY PERSON.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2007, and shall be applicable to all taxable years beginning after December 31, 2006.

Approved by the Governor, May 17, 2007.