

SENATE BILL 483

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CF HB 243

By: **Senators Klausmeier, Beidle, Benson, Feldman, Hayes, Hershey, and Reilly**
Introduced and read first time: January 29, 2020
Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Cemeteries – Perpetual Care – Distribution From Perpetual Care Trust Fund**

3 FOR the purpose of requiring a distribution from a certain trust fund to be used for certain
4 purposes; repealing a requirement that certain capital gains of a perpetual care trust
5 fund be deposited into the perpetual care trust fund in a certain manner; permitting
6 a certain cemetery to select a certain method of distribution from a certain perpetual
7 care trust fund; requiring the cemetery to notify a certain trustee and the Director
8 of the Office of Cemetery Oversight in a certain manner if the cemetery selects a
9 certain method of distribution from the perpetual care trust fund; providing that the
10 cemetery's method of distribution is contingent on the approval of the Director;
11 requiring the Director to approve or disapprove a certain method of distribution in a
12 certain manner; requiring the trustee to distribute certain income from the perpetual
13 care trust fund if the cemetery does not select a method of distribution from the
14 perpetual care trust fund; prohibiting the trustee from reducing a distribution under
15 certain circumstances; requiring the trustee to adopt a certain investment policy
16 under certain circumstances; requiring the trustee to use a certain method of
17 distribution from the perpetual care trust fund if the fair market value of the
18 perpetual care trust fund exceeds a certain sum, but requiring the trustee to use a
19 different method of distribution if the fair market value of the perpetual care trust
20 fund does not exceed a certain sum; permitting the Director to limit or prohibit a
21 certain distribution under certain circumstances; requiring the trustee to pay certain
22 taxes from the principal of the perpetual care trust fund; defining a certain term;
23 and generally relating to investment of cemetery perpetual care trust funds.

24 BY repealing and reenacting, with amendments,
25 Article – Business Regulation
26 Section 5–603
27 Annotated Code of Maryland
28 (2015 Replacement Volume and 2019 Supplement)

29 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 That the Laws of Maryland read as follows:

2 **Article – Business Regulation**

3 5–603.

4 (a) In this section, “developed land area” means land in a cemetery:

5 (1) that is available for burial;

6 (2) where roads, paths, or buildings have been laid out or built; or

7 (3) where burial lots have been outlined on a plat or in a record or sales
8 brochure.

9 (b) (1) Each sole proprietor registered cemeterian, permit holder, or any other
10 person subject to the registration or permit provisions of this title who sells or offers to sell
11 to the public a burial lot or burial right in a cemetery as to which perpetual care is stated
12 or implied shall have a perpetual care trust fund.

13 (2) A separate perpetual care trust fund shall be established for each
14 cemetery to which this section applies.

15 (3) On the general price list, contract of sale of burial space, and any
16 conveyance documents, all cemeteries subject to the provisions of this subtitle shall state
17 in writing the following using 12 point or larger type font:

18 (i) “The cemetery is a perpetual care cemetery.”; or

19 (ii) “The cemetery is not a perpetual care cemetery.”

20 (4) A cemetery created in the State after October 1, 2001, that is not
21 exempt under § 5–602 of this subtitle shall be required to establish a perpetual care trust
22 fund.

23 (c) Each sole proprietor registered cemeterian, permit holder, or any other person
24 subject to the trust requirements of this subtitle initially shall deposit in the perpetual care
25 trust fund at least:

26 (1) \$10,000, if the developed land area of the cemetery is 10 acres or less
27 and the cemetery is a nonprofit cemetery which does not sell burial goods;

28 (2) \$25,000, if the developed land area of the cemetery is more than 10
29 acres and the cemetery is a nonprofit cemetery which does not sell burial goods;

30 (3) \$25,000, if the developed land area of the cemetery is 10 acres or less
31 and the cemetery is a for–profit cemetery or a nonprofit cemetery which sells burial goods;

1 or

2 (4) \$50,000, if the developed land area of the cemetery is more than 10
3 acres and the cemetery is a for-profit cemetery or a nonprofit cemetery which sells burial
4 goods.

5 (d) (1) The deposits required by this subsection are in addition to the deposits
6 required by subsection (c) of this section.

7 (2) Except as provided in paragraph (4) of this subsection, within 30 days
8 after the end of the month when the buyer of a right of interment in a burial lot,
9 above-ground crypt, or niche makes a final payment, the registered cemeterian, permit
10 holder, or any other person subject to the trust requirements of this subtitle shall pay in
11 cash to the trustee for deposit in the perpetual care trust fund:

12 (i) at least 10% of the actual selling price of each right of interment
13 in a burial lot, above-ground crypt, or niche; or

14 (ii) if the burial space is sold at a discount or at no cost, at least 10%
15 of the imputed cost of the fair retail value.

16 (3) The amount of deposit to the perpetual care trust fund shall be deducted
17 from the proceeds of the listed selling price of the right of interment in a burial lot,
18 above-ground crypt, or niche, and may not be charged as an add-on to the purchaser.

19 (4) This subsection does not apply to the sale of a second right of interment
20 or the resale of a right of interment in a burial lot, above-ground crypt, or niche for which
21 the cemetery already has paid into the perpetual care trust fund the deposit required by
22 this subsection.

23 (e) **[The income] A DISTRIBUTION** from the perpetual care trust fund **MADE**
24 **UNDER SUBSECTION (F) OF THIS SECTION:**

25 (1) shall be used only for the perpetual care of the cemetery, including:

26 (i) the maintenance, including the cutting of grass abutting
27 memorials or monuments, administration, supervision, and embellishment of the cemetery
28 and its grounds, roads, and paths; and

29 (ii) the repair and renewal of buildings, including columbaria and
30 mausoleums, and the property of the cemetery; and

31 (2) may not be used to care for memorials or monuments.

32 **[(f) Realized capital gains of a perpetual care trust fund are not income of the**
33 **perpetual care trust fund and shall be deposited in the perpetual care trust fund as**
34 **principal of the perpetual care trust fund.]**

1 **(F) (1) IN THIS SUBSECTION, “NET INCOME” INCLUDES INTEREST AND**
2 **DIVIDENDS.**

3 **(2) A CEMETERY THAT IS SUBJECT TO THIS SECTION MAY SELECT AS**
4 **THE METHOD OF DISTRIBUTION FROM THE PERPETUAL CARE TRUST FUND EITHER:**

5 **(I) ALL NET INCOME TO BE DISTRIBUTED ON A MONTHLY,**
6 **QUARTERLY, SEMIANNUAL, OR ANNUAL BASIS; OR**

7 **(II) AN AMOUNT NOT EXCEEDING 4% OF THE AVERAGE OF THE**
8 **END-OF-YEAR FAIR MARKET VALUE OF THE PERPETUAL CARE TRUST FUND FOR**
9 **THE PRECEDING 3 CALENDAR YEARS, TO BE DISTRIBUTED ON A MONTHLY,**
10 **QUARTERLY, SEMIANNUAL, OR ANNUAL BASIS.**

11 **(3) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, IF A**
12 **CEMETERY THAT IS SUBJECT TO THIS SECTION SELECTS A METHOD OF**
13 **DISTRIBUTION DESCRIBED IN PARAGRAPH (2) OF THIS SUBSECTION:**

14 **1. THE CEMETERY SHALL NOTIFY THE DIRECTOR IN**
15 **WRITING AT LEAST 60 DAYS BEFORE THE DATE THE METHOD OF DISTRIBUTION WILL**
16 **TAKE EFFECT;**

17 **2. THE NOTIFICATION UNDER ITEM 1 OF THIS**
18 **SUBPARAGRAPH SHALL INCLUDE A COPY OF THE INVESTMENT POLICY STATEMENT**
19 **FOR THE TRUST AND THE PLANNED INITIAL DISTRIBUTION AMOUNT;**

20 **3. THE CEMETERY SHALL NOTIFY THE TRUSTEE IN**
21 **WRITING AT LEAST 60 DAYS BEFORE THE DATE THE METHOD OF DISTRIBUTION WILL**
22 **TAKE EFFECT; AND**

23 **4. THE METHOD OF DISTRIBUTION SHALL REMAIN IN**
24 **EFFECT UNTIL THE CEMETERY NOTIFIES THE TRUSTEE AND THE DIRECTOR IN**
25 **WRITING THAT THE CEMETERY HAS SELECTED A DIFFERENT METHOD OF**
26 **DISTRIBUTION.**

27 **(II) 1. A CEMETERY’S SELECTION OF A METHOD OF**
28 **DISTRIBUTION UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH IS CONTINGENT ON**
29 **APPROVAL OF THE DIRECTOR MADE IN ACCORDANCE WITH SUBSUBPARAGRAPH 2**
30 **OF THIS SUBPARAGRAPH.**

31 **2. WITHIN 45 DAYS AFTER RECEIVING NOTICE UNDER**
32 **SUBPARAGRAPH (I)1 OF THIS PARAGRAPH, THE DIRECTOR SHALL, IN A WRITTEN**

1 NOTICE PROVIDED TO THE CEMETERY, APPROVE OR DISAPPROVE THE PROPOSED
2 DISTRIBUTION METHOD.

3 **3. IF A CEMETERY THAT IS SUBJECT TO THIS SECTION**
4 **DOES NOT SELECT A METHOD OF DISTRIBUTION DESCRIBED IN PARAGRAPH (2) OF**
5 **THIS SUBSECTION, THE TRUSTEE SHALL DISTRIBUTE TO THE CEMETERY, ON A**
6 **MONTHLY BASIS, ALL NET INCOME OF THE PERPETUAL CARE TRUST FUND.**

7 **(4) IF A CEMETERY THAT IS SUBJECT TO THIS SECTION SELECTS THE**
8 **METHOD OF DISTRIBUTION DESCRIBED IN PARAGRAPH (2)(II) OF THIS SUBSECTION,**
9 **THE TRUSTEE:**

10 **(I) MAY NOT REDUCE THE AMOUNT OF THE DISTRIBUTION BY**
11 **ANY TAXES OR FEES;**

12 **(II) SHALL ADOPT AN INVESTMENT POLICY THAT SUPPORTS**
13 **THE GROWTH OF THE PERPETUAL CARE TRUST FUND; AND**

14 **(III) 1. SHALL USE THE METHOD OF DISTRIBUTION**
15 **SELECTED BY THE CEMETERY IF THE FAIR MARKET VALUE OF THE PERPETUAL CARE**
16 **TRUST FUND EXCEEDS THE SUM OF:**

17 **A. 80% OF THE AVERAGE OF THE END-OF-YEAR FAIR**
18 **MARKET VALUE OF THE PERPETUAL CARE TRUST FUND FOR THE PRECEDING 3**
19 **CALENDAR YEARS; AND**

20 **B. THE TOTAL CONTRIBUTIONS MADE TO THE PRINCIPAL**
21 **OF THE PERPETUAL CARE TRUST FUND FROM THE DATE THE METHOD OF**
22 **DISTRIBUTION TOOK EFFECT TO THE END OF THE PRECEDING CALENDAR YEAR; OR**

23 **2. SHALL DISTRIBUTE TO THE CEMETERY ON A**
24 **MONTHLY BASIS FOR THE REMAINDER OF THE CALENDAR YEAR ALL NET INCOME OF**
25 **THE PERPETUAL CARE TRUST FUND IF THE FAIR MARKET VALUE OF THE PERPETUAL**
26 **CARE TRUST FUND DOES NOT EXCEED THE SUM CALCULATED UNDER ITEM 1 OF THIS**
27 **ITEM.**

28 **(5) THE DIRECTOR MAY LIMIT OR PROHIBIT A DISTRIBUTION MADE**
29 **UNDER PARAGRAPH (2)(II) OF THIS SUBSECTION IF THE DIRECTOR BELIEVES THAT:**

30 **(I) BASED ON A REVIEW OF THE PRIOR 5 TO 7 YEARS OF**
31 **PERFORMANCE OF THE PERPETUAL CARE TRUST FUND OR, IF LESS THAN 5 YEARS**
32 **HAVE ELAPSED SINCE THE DATE OF SELECTION OF THE INVESTMENT METHOD, A**
33 **REVIEW OF THE PERFORMANCE OF THE PERPETUAL CARE TRUST FUND SINCE THE**

1 DATE OF SELECTION, INVESTMENT RETURNS AND DISTRIBUTION PRACTICES HAVE
2 NOT RESULTED IN SUFFICIENT PROTECTION OF THE PERPETUAL CARE TRUST
3 FUND'S PRINCIPAL; OR

4 (II) THE TRUSTEE DOES NOT HAVE SUFFICIENT KNOWLEDGE
5 AND EXPERTISE TO ADMINISTER THE PERPETUAL CARE TRUST FUND IN A MANNER
6 THAT SUPPORTS THE GROWTH OF THE PERPETUAL CARE TRUST FUND.

7 (G) THE TRUSTEE SHALL PAY CAPITAL GAINS TAXES FROM THE PRINCIPAL
8 OF THE PERPETUAL CARE TRUST FUND.

9 [(g)] (H) (1) The perpetual care trust fund authorized by this subsection shall
10 be a single purpose trust fund.

11 (2) In the event of the bankruptcy or insolvency of, or assignment for the
12 benefit of creditors by, or an adverse judgment against the sole proprietor registered
13 cemeterian, permit holder, or any other person subject to the trust requirements of this
14 subtitle, the perpetual care trust funds may not be made available to any creditor as assets
15 of the sole proprietor registered cemeterian, permit holder, or any other person subject to
16 the trust requirements of this subtitle or as payment for any expenses of any bankruptcy
17 or similar proceedings, but shall be retained intact to provide for the future maintenance
18 of the cemetery.

19 (3) The perpetual care trust fund is not subject to judgment, execution,
20 garnishment, attachment, or other seizure by process in bankruptcy or otherwise, or to sale,
21 pledge, mortgage, or other alienation and is not assignable.

22 [(h)] (I) A sole proprietor registered cemeterian, permit holder, or any other
23 person subject to the trust requirements of this subtitle shall maintain in the office of the
24 cemetery a copy of the most recent trust report filed with the Office under § 5-606 of this
25 subtitle and shall make the report available for inspection by an owner or a prospective
26 purchaser of a right of interment in a burial lot, above-ground crypt, or niche.

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
28 October 1, 2020.