

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 154 (Delegate Barve)

Economic Matters

**Corporations and Real Estate Investment Trusts - Powers of Corporations and
Boards of Directors - Extraordinary Actions**

This bill provides that corporate charters and declarations of trusts may authorize their governing boards to perform certain actions without stockholder approval.

Fiscal Summary

State Effect: Potential minimal. General fund revenues could increase to the extent corporations amend their charters and real estate investment trusts amend their declarations of trusts.

Local Effect: None.

Small Business Effect: Minimal. The bill could positively affect small business corporations by allowing them to conduct business internationally, removing restrictions on giving gifts, and streamlining the regulations governing corporate charters and declarations of trusts.

Fiscal Analysis

Bill Summary:

Corporations

This bill authorizes corporate charters to provide the board of directors authority to: (1) conduct business in international areas; (2) amend the aggregate number of stocks the corporation may issue; (3) change the corporation's name; and (4) change the name or par value of a class or series of stock, all without shareholder approval.

The board of directors will also have the authority to merge with a 90% or more owned subsidiary without stockholder approval if the charter is not amended in the merger more

than to change its name, the name or designation or the par value of any class or series of its stock, or the aggregate par value of its stock. Also, the bill provides for corresponding contract rights for stock in mergers of 90% or more owned subsidiaries with or into its parent corporation.

The bill also removes restrictions on giving gifts, including stock, to governmental and other organizations for religious, charitable, scientific, public welfare, literary, or educational purposes.

Real Estate Investment Trusts

The bill authorizes the board of trustees of a real estate investment trust, without shareholder approval, to alter the declaration of trust to comply with federal and State laws and to change the name of the trust or a class or series of stock. The trust could also have shareholder votes on amendments to declarations of trusts without holding a shareholders meeting.

State Revenues: Under current law, each time a corporation amends its charter or a real estate investment trust amends its declaration of trust the amended document must be filed with the Department of Assessments and Taxation. The filing fee for each amended document is \$20 which is collected by the department and remitted to the general fund. Therefore, general fund revenues could increase to the extent the corporations and real estate investment trusts amend their charters and declarations of trust as a result of this bill.

Information Source(s): Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - February 11, 1999
ncs/jr

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