

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**  
**Revised**

House Bill 682 (Delegates Barve and Brown)

Economic Matters

Judicial Proceedings

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**Maryland and Foreign Business Trusts**

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This bill makes various changes to provisions governing Maryland business trusts and establishes provisions applicable to “foreign business trusts.”

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**Fiscal Summary**

**State Effect:** Potential minimal increase in general fund revenues from document-recording fees and monetary penalties.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** The bill provides that a Maryland corporation registered under the Investment Company Act of 1940 may convert to a Maryland business trust. The bill establishes procedures for conversion. The bill also provides that, except as otherwise provided in the trust’s governing instrument, a series of trustees or beneficial owners may be dissolved and the series’ affairs wound up without causing the dissolution of the trust or any other series. The bill also establishes a procedure to restate or amend a certificate of trust.

A trustee, officer, employee, or manager acting under a governing instrument is not liable to the business trust or a beneficial owner when acting with good faith reliance on the governing instrument. Furthermore, a trustee’s duties and liabilities may be expanded or restricted in a governing instrument. The bill also provides that the beneficial owners or

trustees of a trust may take action without a vote if a written consent is signed by at least the minimum number of beneficial owners or trustees required. Beneficial owners and trustees may vote by proxy.

A “foreign business trust” is a business trust formed under the laws of any state or under the laws of any foreign country or other foreign jurisdiction. A foreign business trust must be registered with the State Department of Assessments and Taxation (SDAT) before conducting business. Violators are subject to a maximum \$1,000 fine. The bill enables a foreign business trust to conduct business, own property, be party to a legal action, and engage in any other activities which may constitute doing business in the State. However, SDAT may forfeit the right of any foreign business trust to do business in the State for failing to file any report or for failing to pay any late filing fee as required by law, unless SDAT excuses a reasonable delay for good cause.

**Current Law:** There are no provisions governing the conversion of a Maryland corporation into a Maryland business trust or governing the dissolution of a series of trustees or beneficial owners. There are no provisions regarding a trustee, officer, employee, or manager’s liability to the business trust or a beneficial owner when the trustee, officer, employee, or manager is acting with good faith reliance on the trust’s governing instrument. All beneficial owners or trustees must vote present in person.

There are provisions governing “foreign limited liability corporations” and “foreign limited partnerships,” but there are no provisions for a “foreign business trust.”

Every business entity must pay a \$20 document-recording fee to file or amend business documents.

**State Revenues:** General fund revenues could increase minimally as a result of the bill’s monetary penalty provision and document-recording fees.

**State Expenditures:** General fund expenditures could increase by \$7,200 in fiscal 2002 for the Department of Assessments and Taxation to reprogram its computer system to accommodate handling foreign business trusts as a business entity.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader – March 5, 2001  
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