

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 989 (Senator Gladden)
Judicial Proceedings

Real Estate Investment Trusts - Share Information

This bill establishes that the term “real estate investment trust” (REIT) applies to an unincorporated *business* trust or association. The bill also alters provisions governing a statement containing specified information about shares of a REIT without certificates. Under the bill, a REIT must send the written statement to the shareholder, on the shareholder’s request and without charge. The provision requiring that the statement be sent at the time of issuance or transfer of shares without certificates is repealed.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: The bill would not directly affect governmental finances or operations.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A REIT is an unincorporated trust or association in which property is acquired, held, managed, administered, controlled, invested, or disposed of for the benefit and profit of any person who may become a shareholder. A share is a transferable unit of beneficial interest in a REIT.

If the REIT has authority to issue share of more than one class, the certificate evidencing the shares must contain a statement or summary of specified information about the shares, including preferences, voting powers, and terms and conditions of redemption of shares of each class in the REIT. A summary of the information as included in a registration statement permitted to become effective under the Federal Securities Act of 1933 is an acceptable summary. Instead of a full summary or statement, the certificate may state that the REIT will furnish a full statement of the required information to any holder of shares on request and without charge.

Unless the declaration of trust provides otherwise, a REIT's trustees may authorize the issuance of some or all of the shares of any or all of its classes or series without certificates. The authorization does not affect shares already represented by certificates until they are surrendered to the REIT.

At the time of issuance or transfer of shares without certificates, the REIT must send the shareholder a written statement containing specified information about the shares, including preferences, voting powers, and terms and conditions of redemption of shares of each class in the REIT.

Background: The State Department of Assessments and Taxation advises that there are 322 REITs registered with the State. The number is not expected to change because of the bill.

Additional Information

Prior Introductions: None.

Cross File: HB 1166 (Delegate Feldman) – Economic Matters.

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

Fiscal Note History: First Reader - March 12, 2007
mll/hlb

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