



## HB 983

### Position: Unfavorable

Federal Realty Investment Trust (Exchange: FRT), a Maryland real estate investment trust (“REIT”) headquartered in North Bethesda, submits this testimony in strong opposition to HB 983’s provisions eliminating the dividends-paid-deduction for all REITs. We are a recognized leader in the ownership, operation and redevelopment of high-quality retail-based properties with expertise in creating urban, mixed-use neighborhoods. We have owned real estate in the State of Maryland for more than 60 years and have maintained our corporate headquarters in Montgomery County, Maryland for more than 50 years. Today, we own 17 real estate assets in the State of Maryland that include more than 5 million commercial square feet and more than 800 residential units, including moderately priced dwelling units, and into which we’ve invested in excess of \$2 billion. Our real estate holdings include such iconic properties as Bethesda Row, Bethesda, Maryland, Pike & Rose, North Bethesda, Maryland, The Avenue at White Marsh, White Marsh, Maryland and Annapolis Towne Center, Annapolis, Maryland.

This legislation appears to eliminate the “dividends paid deduction” (DPD) for all real estate investment trusts (REITs) contrary to federal income tax rules and the existing laws of virtually every other state with an income-based tax system. We do not oppose the elimination of the DPD for so-called “captive REITs” (generally, a REIT more than 50% owned by a non-REIT corporation), a provision that has been part of Maryland law for almost 20 years. Our objection is to the elimination of the DPD for widely held (typically publicly traded) REITs that were or are formed for the purpose outlined in the original REIT legislation of 1960 to allow widespread ownership of real estate even for small investors who would not otherwise be able to invest in real estate.

By way of background, the REIT structure was created in 1960 to allow Americans from all walks of life to invest in companies that own and operate large-scale commercial real estate holdings. REIT shares typically trade on a major stock exchange. Federal law requires REITs to distribute their taxable income to shareholders in exchange for which they may claim a dividends paid deduction. As a result, REIT income is generally subject to only one level of tax – at the shareholder level when the shareholder receives the REIT dividends. In addition, the State of Maryland has been a leader in attracting public REITs to incorporate in the State which would certainly be adversely impacted if the DPD were eliminated for REITs doing business in Maryland.

Federal Realty Investment Trust opposes H.B. 983 for the following reasons:

- **H.B. 983 would violate comity principles among the States.** H.B. 983 would enact a serious policy change that would put Maryland at odds with virtually all other states regarding the taxation of REIT income at the shareholder level only based on the state of shareholder residence.
- **H.B. 983 ignores REIT requirements that other corporations don’t have to satisfy.** H.B. 983 appears to assume that REITs operate just like other real estate companies without recognizing the asset, income, compliance and the distribution requirements placed on REITs that other companies need not satisfy. If enacted, Maryland REITs still would need to meet these requirements while other businesses would not.
- **H.B. 983 would decrease needed investments in Maryland.** REITs would invest instead in the rest of the United States that conforms to the federal REIT rules.

The economic impact our company has had in Maryland extends way beyond our investment in the real estate we currently own. Our vision and investment of capital in the late 1990s into Bethesda Row was the catalyst for the revitalization of that area into one Maryland’s strongest economic engines today. The same can be said for the White Flint area and our Pike & Rose property. We were a founding member of

the group that worked with the County to create the vision for transforming the White Flint area into vibrant, walkable neighborhoods and were the first to move forward with an investment in creating that new vision when we started construction on Pike & Rose in 2012. In fact, in 2024, we were recognized by the Montgomery County Chamber of Commerce with its Visionary Award for the impact our work has had in the County. If you come to this area today you will see continued growth of economic activity in this area taking advantage of the significant private and public sector investment that has been made in additional housing and in modernizing and improving the utility and transit infrastructure. Again, economic growth in the County that would not have gotten jump started without the efforts and investment of Federal Realty.

Our properties also have significant community impacts beyond just providing retail goods and services, housing and work locations. Our properties focus on serving broader community needs. I encourage you to look at the attached pages that describe how The Avenue at White Marsh in Baltimore County is more than just a retail shopping center for that community.

It is with this long-standing record of making significant contributions to the economic growth of the State of Maryland and the local communities that we today submit this testimony in strong opposition to H.B. 983 that would remove the dividends paid deduction for all real estate investment trusts, even larger, public traded REITs.

We fully appreciate the fiscal challenges the state is currently facing but believe this proposed is short-sighted and will have more long-term negative impacts than short-term gain. Real estate investments have multiplier impacts on economic activity in their local communities and discouraging that investment through the removal of the dividends paid deduction for REITs will have far reaching adverse economic consequences that will have lasting effects.

For these reasons, Federal Realty Investment Trust recommends an unfavorable report for HB 983.

Please contact me at 301-998-8100 if you would like to discuss this matter further.

Sincerely,



Dawn M. Becker  
Executive Vice President  
Chief Legal Officer and Chief Administrative Officer