



6711 Columbia Gateway Drive, Suite 300
Columbia, MD 21046

443.285.5400
copt.com
NYSE: CDP

March 2, 2026

The Honorable Jheanelle K. Wilkins
Chair, House of Delegates Ways & Means Committee
House Office Building, Room 131
6 Bladen Street
Annapolis, Maryland 21401

HB 983

Position: Unfavorable

Dear Chair Wilkins:

COPT Defense Properties (NYSE:CDP) (COPT Defense), an S&P MidCap 400 Company focused on owning, operating and developing properties in locations proximate to, and sometimes containing, key U.S. Government defense installations and missions, submits this testimony in strong opposition to HB 983's provisions eliminating the dividends-paid-deduction for all real estate investment trusts ("REIT").

Since 1998, we have been operating as a REIT in the State of Maryland and our tenants include the U.S. Government and defense contractors, who are primarily engaged in national security activities, which require buildings with mission-critical and high security facility enhancements. As of December 31, 2025, the Company's Defense/IT Portfolio of 201 properties encompassed 23.2 million square feet and was 96.5% leased. Over one-half of these properties are located in Maryland and of our 430 employees, 307 work in the State of Maryland.

Delegate Carr's bill includes a proposal to eliminate the "dividends paid deduction" for all REITs headquartered or operating in the State of Maryland. The proposed elimination of the dividends paid deduction is contrary to long established federal income tax rules and the existing laws of each state with an income-based tax system.

By way of background, in 1960 the United States Congress created the REIT structure to allow Americans from all walks of life to invest in companies that own and operate commercial real estate holdings. Three years later, in 1963, Maryland was the first state to adopt specific laws for the formation of REITs. In many ways, Maryland is still considered the preferred jurisdiction for the formation of REITs as it has enhanced protections against hostile takeovers, allows for flexible shareholder voting procedures, and does not impose a franchise tax on REITs.

Federal law requires REITs to distribute up to 90% of their net operating income to shareholders as dividends. The REITs are then able to deduct these dividends from the REITs' taxable income as 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. This tax treatment affords small investors comparable advantages to private real estate investment funds. This allows individual shareholders to be able to meaningfully participate in the advantages of investing in real estate without having the burden of the day-to-day management of real estate, being exposed to the excessive risk of directly investing in real estate, while affording them continuous liquidity. Many retired individuals in the United States rely on REIT investments and the reliable stream of dividends to support them in retirement.

Since its inception, the REIT structure including the one-level of tax has been a dynamic driver of economic activity with respect to real estate development that includes investments delivering multi-family housing, retail and office buildings, industrial warehouses, technology centers, and educational facilities in the State of Maryland. This REIT structure has enabled our Company to develop real estate assets that extensively serve national security and critical infrastructure needs here in the State of Maryland. In 2025 alone, our real estate assets generated \$31,240,000 in real estate taxes for the State of Maryland and over \$94,000,000 in the last three years.

COPT 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 which follow Federal tax law in allowing for the dividends paid deduction.
- **H.B. 983 ignores REIT requirements that other corporations don't have to satisfy.** The dividends paid deduction is essential to REITs and required by Federal law. 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 Federal tax law places on REITs that other companies are not required to satisfy. If enacted, Maryland REITs would still need to meet these requirements while other businesses would not.
- **H.B. 983 would decrease needed investments in Maryland.** If Maryland no longer allows for REITs to comply with Federal income tax laws, then the REITs will have to re-allocate their investment in other states. Instead of investing in Maryland, REITs would invest in other states whose tax structure allows the REITs to continue to comply with Federal income tax laws.
- **COPT Compelled to Leave Maryland.** In order to comply with Federal laws with respect to REITs, we would be compelled to discontinue operations in the State of Maryland and re-locate our headquarters and the bulk of our operations to other states that would allow us to continue to operate as a REIT.

COPT has been a Maryland dedicated REIT for over 25 years and has supported the communities in which we operate. In addition to our commitment to providing critical national security facilities, COPT is also committed to leveraging our talents and our financial resources to support the communities in which we are located. For example, COPT invested almost \$3 million of its resources to plan, design and build the United Way Family Center, a childcare facility in our Columbia Gateway district at no cost to the United Way. The center opened in January 2022, and it fills a critical need for affordable, quality childcare in our local community in which more than one in three families struggle to make ends meet. Beyond the initial donation of construction costs, COPT Defense also has a long-term agreement to lease the property to the United Way at a significantly reduced rate, a discount that is equivalent to over \$200,000 annually.

As described above, COPT Defense has a large footprint in Maryland, and we value being part of communities throughout the state. While we understand the need for additional sources of revenue to close the budget gap, this proposal is a short-sighted approach. It is harmful to Maryland REIT businesses and the individual REIT investors living in Maryland. The State will *not* generate the revenue needed, the anti-business message will further depress economic growth in the state by driving REITs, their employees, and investments to other more accommodating states.

Very Truly Yours



Stephen E. Budorick *DLF*
President and Chief Executive Officer