

corporations. See "REIT Bill Proposed to End Tax Status of Starwood, Peers," *Wall Street Journal*, March 25, 1998, p. A10.

The almost daily press coverage of REITs should suggest that this is hardly an idle inquiry. In addition to Starwood, the other companies with paired-share status include Patriot American Hospitality, Inc. of Dallas, Meditrust Corp. of Massachusetts, and First Union Real Estate of Cleveland. Interestingly, all this comes at a time when Hollywood Park, Inc., the famous Southern California gambling concern, is hoping to reinstate its status as a paired-share REIT. Hitt and Kirkpatrick "Tax Break for 5 REITs in Jeo-

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Fluctuating REIT Fortunes

by Robert W. Wood • San Francisco

It may be too soon to ring the bell signaling the end to the current Congressional bout with the REIT lobby. As most *M&A Tax Report* readers know, the fight over the particular tax status enjoyed by several notable REITs, including Starwood Hotels & Resorts Worldwide, Inc. and a few other high profile REITs, has come to a boil.

A bill introduced by representative Mac Collins (R-GA), would not only terminate Starwood's particular tax structure, but go much farther than the Clinton administration's proposal. Indeed, it would simply limit the expansion of paired-share real estate investment trusts. The Collins bill would repeal the exceptions, and effectively require Starwood and the other firms to adopt the passive structure of traditional REITs, or to pay taxes as regular

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pardy," *Wall Street Journal*, March 27, 1998, p. A3.

Restructure?

For its part, Starwood has already announced plans to restructure. Starwood's plan calls for two separate operating groups for hotels and gaming. This move, announced at the end of March, was thought to be a prelude to a spinoff of the gaming interests which would otherwise weigh heavily on its share price. Of course, this is also following the developments in Congress, that seem to make it almost a certainty that Starwood will eventually lose its beneficial paired-share status. See Authers, "Starwood to Restructure," *Financial Times (London)*, March 31, 1998, p. 19.

For the time being, all eyes will be on the Congressional resolution of the REIT debate. Now that significant Congressional scrutiny has been leveled, it seems likely that the debate will be resolved in a manner that is distinctly not in favor of the REITs. ■