

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 264

(Senator Elfreth, *et al.*)

Budget and Taxation

Ways and Means

Community Solar Energy Generating Systems - Exemption From Property Taxes

This bill exempts personal property of a specified community solar energy generating system from county and municipal personal property taxes. **The bill takes effect June 1, 2022, and applies to taxable years beginning after June 30, 2022.**

Fiscal Summary

State Effect: None. The State Department of Assessments and Taxation (SDAT) can handle the reporting requirement with existing resources.

Local Effect: Personal property tax revenues in Baltimore and Prince George's counties decrease by \$44,000 and \$55,000, respectively, beginning in FY 2023. To the extent that other community solar energy generating systems become eligible for the property tax exemption proposed by the bill, local government revenues will decrease accordingly. Local expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful. To the extent that community solar energy generating systems are small businesses, they will benefit from reduced personal property taxes.

Analysis

Bill Summary: Personal property is exempt from county and municipal personal property taxes if the personal property is machinery or equipment that (1) is part of a community solar energy generating system that has a generating capacity that does not exceed two megawatts as measured by the alternating current rating of the system's inverter and

provides at least 50% of the energy it produces to low- or moderate-income customers at a cost that is at least 20% less than the amount charged by the electric company that serves the area where the community solar energy generating system is located and (2) is installed on a rooftop, parking facility canopy, or specified brownfield.

Personal property that receives an exemption is exempt from county or municipal property tax for each taxable year in which the property continues to meet the requirements for the exemption. The supervisor of assessments may not accept an application from a property owner for the exemption after December 31, 2024.

By October 1 each year, SDAT must report to the Senate Budget and Taxation Committee and the House Ways and Means Committee on the number and location of projects that, in the immediately preceding taxable year, have received the property tax exemption.

A brownfield is defined as (1) a former industrial or commercial site identified by federal or State laws or regulations as contaminated or polluted or (2) a closed municipal or rubble landfill regulated under a refuse disposal permit by the Maryland Department of the Environment.

Current Law: Local governments have the authority to impose personal property taxes on solar photovoltaic property. SDAT indicates that local governments collected approximately \$3.1 million in personal property tax revenues from solar energy property in fiscal 2018.

The county tax rate applicable to personal property and the operating real property of a public utility may not exceed 2.5 times the rate for real property.

Community Solar Energy Generating System Pilot Program

Chapters 346 and 347 of 2015 required the Public Service Commission (PSC) to establish a three-year Community Solar Energy Generating System Pilot Program, subject to specified conditions. Such a system, in addition to other requirements, must have at least two subscribers, but a subscriber limit is not specified in statute. Under PSC regulations, a system may have up to 350 accounts, unless the electric company has developed an automated billing function, in which case there is no limit. PSC regulations also increase authorized capacity additions each year. According to PSC, the program, if fully subscribed, would add about 200 megawatts under the existing 1,500-megawatt net metering cap. Chapters 461 and 462 of 2019 extended the Community Solar Energy Generating Systems Pilot Program through December 31, 2024.

Local Fiscal Effect: SDAT has identified 22 active community solar energy generating systems of which 2 currently meet the exemption requirements of the bill. The 2 facilities

are located in Baltimore and Prince George's counties. According to SDAT, the estimated personal property assessment for each facility is \$1.6 million. The personal property tax rate is \$2.75 per \$100 of assessment in Baltimore County and \$3.435 per \$100 of assessment in Prince George's County. Based on these personal property tax rates and the estimated personal property for each affected community solar energy generating system, property tax revenues will decrease by approximately \$44,000 in Baltimore County and by approximately \$55,000 in Prince George's County, beginning in fiscal 2023.

To the extent that other community solar energy generating systems become eligible for the exemption proposed by the bill, local government personal property tax revenues will decrease accordingly. The potential local revenue loss in future years may be limited due to the requirement that property owners apply for the exemption prior to January 1, 2025.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 76 (Delegate Smith, *et al.*) - Ways and Means.

Information Source(s): Anne Arundel, Baltimore, and Montgomery counties; Washington Suburban Sanitary Commission; North East Maryland Waste Disposal Authority; City of Laurel; Maryland Department of the Environment; State Department of Assessments and Taxation; Public Service Commission; Department of Legislative Services

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