

Department of Legislative Services  
Maryland General Assembly  
2019 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 610

(Senator Guzzone)

Budget and Taxation

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**Solar Photovoltaic Property - Personal Property Tax Exemption and Local Fee Requirement**

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This bill exempts specified solar energy property from the local personal property tax. In lieu of the personal property tax, local governments are required to impose an annual fee on the owner or operator of the solar photovoltaic property. The bill requires the property tax exemption established by the bill to be evaluated in accordance with the Maryland Tax Credit and Exemption Evaluation Act. **The bill takes effect July 1, 2019, and the personal property tax exemption applies to taxable years beginning after June 30, 2019.**

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**Fiscal Summary**

**State Effect:** The Department of Legislative Services can handle the bill's reporting requirements under the Tax Credit and Exemption Evaluation Act with existing budgeted resources.

**Local Effect:** Local revenues decrease by a significant amount, with some counties realizing revenue losses in the millions. The actual timing of the revenue loss will depend on when solar photovoltaic facilities become operational. 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 solar photovoltaic facilities are small businesses with 50 or fewer employees, the facilities may realize a potentially significant reduction in personal property taxes.

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## Analysis

### Bill Summary:

#### *Fee for Certain Photovoltaic Property*

County governments must require, by law, the owner or operator of a solar photovoltaic property (placed in service on or after July 1, 2019, but before January 1, 2031, and has a capacity of more than two megawatts) to pay a \$2,000 per megawatt capacity annual fee to the county; the fee is \$2,500 for solar photovoltaic property located on land assessed on the basis of farm or agricultural use in the previous five years. If the solar photovoltaic property is located within a municipality, the county must distribute \$500 of the fee collected to the municipality. Fees are to be deposited in the county and municipal general fund.

The bill does not apply to solar photovoltaic property that is subject to a payment in lieu of taxes agreement that is in effect before July 1, 2019. Solar photovoltaic property is defined as equipment placed in service on or after July 1, 2019, but before January 1, 2031, that uses a solar photovoltaic process to generate electricity at a capacity that exceeds two megawatts.

#### *Personal Property Tax Exemption*

The bill exempts specified solar energy property from personal property taxation if the property (1) is solar energy equipment placed in service on or after July 1, 2019, but before January 1, 2031; (2) uses a solar photovoltaic process to generate electricity at a capacity that exceeds two megawatts; (3) meets applicable performance and quality standards and certification requirements in effect at the time of acquisition of the property, as specified by the Maryland Energy Administration; and (4) is not subject to a payment in lieu of taxes agreement that was in effect before July 1, 2019.

This personal property tax exemption must be evaluated in accordance with the Maryland Tax Credit and Exemption Act by July 1, 2024.

**Current Law:** Local governments have the authority to impose personal property taxes on solar photovoltaic property. The State Department of Assessments and Taxation reports that local governments collected approximately \$3.1 million in personal property tax revenues from solar energy property in fiscal 2018.

**Local Fiscal Effect:** Local property tax revenues decrease by a significant amount beginning after fiscal 2020. The timing of the actual revenue decrease will depend on when the solar photovoltaic facilities become operational in each jurisdiction. The decrease in

local property tax revenues is partially offset by a mandatory annual fee imposed on solar photovoltaic facilities.

### *Solar Photovoltaic Facility Fees*

For large scale electricity generating facilities, including solar photovoltaic facilities, the Public Service Commission (PSC) must issue a Certificate of Public Convenience and Necessity (CPCN) before construction on the project may begin. **Exhibit 1** lists all the CPCN cases involving solar photovoltaic facilities that have gone through or are in the process of going through PSC's approval process since 2011.

As shown in **Exhibit 2**, nine of these projects are currently in progress, which means that, to the extent they are approved by PSC, they will likely become operational after July 1, 2019, and therefore will be impacted by the requirements of the bill. As shown in **Exhibit 3**, there are 16 additional cases that have been granted a CPCN or an extension in 2017 or 2018. These facilities may also become operational after July 1, 2019, and therefore will also be impacted by the bill. To the extent that any of these facilities currently have a payment in lieu of taxes (PILOT) agreement with a local jurisdiction, the requirements of the bill will not apply.

County general fund revenues will increase by \$2,000 or \$2,500 for each megawatt capacity for each facility that becomes operational. To the extent the facilities are located in a municipality, municipal revenues will increase by \$500 and the net county revenues will decrease by the same amount. Exhibits 2 and 3 show the revenue effect of a \$2,500 per megawatt fee for the facilities that are currently in various stages of approval and permitting processes.

### *Personal Property Tax Exemption*

The bill specifies that solar energy personal property is exempt from personal property tax if the property is placed into service after January 1, 2019, but before January 1, 2031. The facility must have a capacity of at least two megawatts to qualify for the exemption and the property may not be subject to a payment in lieu of taxes agreement that was in effect prior to July 1, 2019.

As a result, local personal property tax revenues decrease in jurisdictions with a solar photovoltaic facility. Based on the facilities identified in Exhibit 1, this would affect property tax revenues in 12 counties (Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Kent, Prince George's, Queen Anne's, Somerset, Washington, and Wicomico) and two municipalities (City of Cambridge and the Town of Union Bridge). The amount of the property tax revenue decrease depends on the value of the solar energy property at each facility and each county's personal property tax rate. To the extent that any of these

facilities have a PILOT in place prior to July 1, 2019, the property tax exemption does not apply.

The existing property tax base in many of the affected counties are among the lowest in the State. For example, the per capita assessable base (property tax base) in Caroline, Dorchester, Somerset, Washington, and Wicomico counties is below 70% of the statewide average. The proposed property tax exemption may have a disproportionate impact on local governments where the existing tax base may not be readily able to offset the decrease in property tax revenues with other local sources.

For example, Caroline County reports that the 202 megawatt facility that is proposed to be located in the county will generate approximately \$2.6 million in personal property tax revenues when the facility becomes operational. However, under the bill, the personal property owned by the facility will be exempt from taxation and the county will only be able to collect the \$2,500 per megawatt fee which will total \$505,000 each year. As a result, Caroline County will lose approximately \$2.1 million in personal property tax revenues each year. This revenue loss is equivalent to approximately 8 cents on the county's real property tax rate.

**Exhibit 4** shows the amount of revenue that a jurisdiction can receive from a one-cent yield in the county real property tax rate. A potential \$2 million revenue loss in Somerset County would be equivalent to approximately 15 cents on the county's real property tax rate. As shown in Exhibit 3, Somerset County is a jurisdiction with a major solar facility proposed.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 627 (Delegate Luedtke) - Ways and Means.

**Information Source(s):** Caroline County; Montgomery County; Maryland Association of Counties; Maryland Municipal League; State Department of Assessments and Taxation; Maryland Energy Administration; Public Service Commission; Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2019  
sb/hlb

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**Exhibit 1**  
**Solar Photovoltaic Projects**

<u>Case No.</u>	<u>Capacity (MW)</u>	<u>Location</u>	<u>Acreage of Project</u>	<u>Status</u>
9400	18.360	Allegany	96.00	CPCN granted, final order July 9, 2016
9477	202.000	Caroline	1,083.62	Case in progress
9451	9.000	Cecil	97.48	CPCN granted March 6, 2018
9464	32.500	Charles	249.00	CPCN granted August 21, 2018
9463	27.500	Charles	193.00	CPCN granted August 21, 2018
9351	9.000	Charles	55.00	CPCN granted, final order April 6, 2018
9457	50.000	Dorchester	340.00	Case in progress
9412	20.000	Dorchester	111.00	CPCN granted, final order July 28, 2016
9370	15.500	Dorchester	93.00	Extension granted to construction and operation deadlines for three years May 30, 2018
9348	3.300	Dorchester	25.00	CPCN granted, final order September 5, 2014
9439	15.000	Frederick	151.00	Case in progress
9429	20.000	Frederick	170.00	CPCN granted October 3, 2017
9399	9.000	Frederick	56.00	CPCN granted, final order July 6, 2016
9365	20.000	Harford	123.00	CPCN granted, final order April 16, 2015
9499	45.000	Kent	253.16	Case in progress
9438	57.040	Kent	255.00	Application withdrawn October 6, 2017
9411	60.000	Kent	370.00	CPCN denied February 10, 2017

<u>Case No.</u>	<u>Capacity (MW)</u>	<u>Location</u>	<u>Acreage of Project</u>	<u>Status</u>
9407	5.000	Kent	55.00	CPCN granted, final order August 21, 2018
9387	6.000	Kent	45.00	CPCN rescinded October 17, 2018
9469	10.000	Prince George's	56.91	Case in progress
9466	2.250	Prince George's	12.00	Application withdrawn March 1, 2018
9465	2.425	Prince George's	27.00	Application withdrawn March 1, 2018
9446	2.500	Prince George's	12.00	CPCN granted October 18, 2017
9496	80.000	Queen Anne's	487.00	Case in progress
9450	36.700	Queen Anne's	360.00	Case in progress
9436	56.700	Queen Anne's	337.00	CPCN granted April 2, 2018
9383	6.000	Queen Anne's	45.00	CPCN granted, final order January 22, 2016
9375	10.000	Queen Anne's	95.00	CPCN granted, final order June 30, 2015. In-service
9314	6.000	Queen Anne's	42.00	CPCN granted, final order June 24, 2013
9392	6.000	Somerset	45.00	Proposed order affirmed October 21, 2016
9380	150.000	Somerset	1000.00	Extension granted to CPCN construction deadline November 5, 2018
9495	11.800	Washington	79.80	Case in progress
9426	18.400	Washington	150.00	CPCN granted March 28, 2017
9408	8.000	Washington	70.00	Request granted for extension of time January 29, 2019
9402	3.500	Washington	46.00	CPCN granted, final order October 31, 2017
9395	8.000	Washington	55.00	Proposed order affirmed March 3, 2017
9272	20.000	Washington	270.00	CPCN granted, final order October 8, 2011
9454	5.400	Wicomico	36.26	CPCN granted January 5, 2018

<u>Case No.</u>	<u>Capacity (MW)</u>	<u>Location</u>	<u>Acreage of Project</u>	<u>Status</u>
9366	15.000	Wicomico	108.00	CPCN granted, final order May 28, 2015
9409	12.000	Worcester	120.00	CPCN granted, final order July 28, 2016
9405	15.000	Worcester	125.00	CPCN granted, final order May 17, 2016
9403	20.000	Worcester	190.00	CPCN granted, final order May 10, 2016
9434	45.900	City of Cambridge	320.00	CPCN granted November 27, 2017
9483	9.900	Town of Union Bridge and Carroll County	49.76	Case in progress

CPCN: Certificate of Public Convenience and Necessity

Source: Public Service Commission

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**Exhibit 2**  
**Proposed Solar Photovoltaic Facilities**  
**CPCN in Progress**

<u>Capacity (MW)</u>	<u>Location</u>	<u>Acreage of Project</u>	<u>Status</u>	<u>Fee Revenue</u>
202.0	Caroline	1,083.62	Case in progress	\$505,000
50.0	Dorchester	340.00	Case in progress	125,000
15.0	Frederick	151.00	Case in progress	37,500
45.0	Kent	253.16	Case in progress	112,500
10.0	Prince George's	56.91	Case in progress	25,000
80.0	Queen Anne's	487.00	Case in progress	200,000
36.7	Queen Anne's	360.00	Case in progress	91,750
9.9	Town of Union Bridge and Carroll County	49.76	Case in progress	24,750
11.8	Washington	79.80	Case in progress	29,500

CPCN: Certificate of Public Convenience and Necessity

Source: Public Service Commission; Department of Legislative Services

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**Exhibit 3**  
**Proposed Solar Photovoltaic Facilities**  
**CPCN Granted or Time Extension**

<b>Capacity (MW)</b>	<b>Location</b>	<b>Acreage of Project</b>	<b>Status</b>	<b>Fee Revenue</b>
9.0	Cecil	97.48	CPCN granted March 6, 2018	\$22,500
32.5	Charles	249.00	CPCN granted August 21, 2018	81,250
27.5	Charles	193.00	CPCN granted August 21, 2018	68,750
9.0	Charles	55.00	CPCN granted, final order April 6, 2018	22,500
45.9	City of Cambridge	320.00	CPCN granted November 27, 2017	114,750
15.5	Dorchester	93.00	Extension granted to construction and operation deadlines for three years May 30, 2018	38,750
20.0	Frederick	170.00	CPCN granted October 3, 2017	50,000
5.0	Kent	55.00	CPCN granted, final order August 21, 2018	12,500
2.5	Prince George's	12.00	CPCN granted October 18, 2017	6,250
56.7	Queen Anne's	337.00	CPCN granted April 2, 2018	141,750
150.0	Somerset	1,000.00	Extension granted to CPCN construction deadline November 5, 2018	375,000
18.4	Washington	150.00	CPCN granted March 28, 2017	46,000
8.0	Washington	70.00	Request granted for extension of time January 29, 2019	20,000
3.5	Washington	46.00	CPCN granted, final order October 31, 2017	8,750
8.0	Washington	55.00	Proposed order affirmed March 3, 2017	20,000
5.4	Wicomico	36.26	CPCN granted January 5, 2018	13,500

CPCN: Certificate of Public Convenience and Necessity

Source: Public Service Commission; Department of Legislative Services

**Exhibit 4**  
**One-cent Yield in County Real Property Tax Rates**  
**Fiscal 2016-2020**

<b><u>County</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>
Allegany	\$352,900	\$354,800	\$355,500	\$356,700	\$360,600
Anne Arundel	6,911,200	7,246,100	7,540,900	7,874,100	8,171,200
Baltimore City	3,395,600	3,654,400	3,728,500	3,893,400	4,010,400
Baltimore	7,529,400	7,766,700	8,017,200	8,295,600	8,576,000
Calvert	1,133,300	1,149,900	1,170,800	1,194,800	1,218,700
Caroline	247,300	247,500	248,200	251,900	257,800
Carroll	1,811,200	1,846,700	1,887,900	1,941,700	1,990,100
Cecil	930,100	934,700	954,900	981,200	1,009,900
Charles	1,571,300	1,636,300	1,696,100	1,751,700	1,822,500
Dorchester	275,500	274,800	275,100	274,000	276,300
Frederick	2,669,000	2,780,200	2,895,200	3,042,300	3,138,300
Garrett	423,200	428,300	430,300	433,600	437,800
Harford	2,595,700	2,647,200	2,708,300	2,764,000	2,793,900
Howard	4,530,100	4,734,100	4,943,100	5,136,200	5,268,800
Kent	284,500	285,500	287,100	289,900	293,000
Montgomery	17,203,200	17,905,500	18,527,600	19,060,500	19,701,300
Prince George's	7,421,100	7,806,600	8,199,400	8,586,900	9,010,800
Queen Anne's	753,900	771,000	789,000	812,700	824,100
St. Mary's	1,177,800	1,194,900	1,216,700	1,230,400	1,237,200
Somerset	136,900	136,300	135,300	135,000	135,500
Talbot	706,200	715,600	721,400	729,100	735,600
Washington	1,187,000	1,205,400	1,220,700	1,242,700	1,264,900
Wicomico	573,300	576,800	588,900	605,300	627,700
Worcester	1,434,100	1,466,600	1,502,600	1,534,700	1,580,300

Source: Department of Legislative Services