

BY: Budget and Taxation Committee

AMENDMENTS TO SENATE BILL NO. 344

(First Reading File Bill)

AMENDMENT NO. 1

On page 4, in line 8, after “business;” insert “OR”; in line 9, strike the semicolon and substitute a period; after line 9, insert:

“(4) FOR A PUBLIC SERVICE COMPANY ENGAGED IN A TELEPHONE BUSINESS IN THE STATE, GROSS RECEIPTS DOES NOT INCLUDE:”;

in line 10, strike “(iii)” and substitute “(I)”; in the same line, strike “a” and substitute “THE”; strike beginning with the colon in line 11 down through “1.” in line 12; strike in their entirety lines 13 and 14; in line 15, strike “(iv)” and substitute “(II)”; in the same line, strike “a” and substitute “THE”; in line 18, strike “(4)” and substitute “(5)”; in line 21, after “1.” insert “EXCEPT AS PROVIDED IN ITEM (II)2 AND 3 OF THIS PARAGRAPH.”; in line 25, after “ANY” insert “OTHER SURCHARGE OR”; in line 30, after “INCLUDE” insert “:

1.”;

and in line 31, after “GAS” insert “:

2. GROSS CHARGES FROM THE TRANSMISSION, DISTRIBUTION, OR DELIVERY OF ELECTRICITY OR NATURAL GAS TO ANOTHER PUBLIC SERVICE COMPANY SUBJECT TO THE TAX IMPOSED UNDER § 8-402 OF THIS SUBTITLE IF THE BUYER INTENDS TO RESELL THE ELECTRICITY OR NATURAL GAS; OR

3. GROSS CHARGES FROM AN INTERSTATE TRANSMISSION NETWORK OR FROM THE TRANSMISSION, DISTRIBUTION, OR DELIVERY OF ELECTRICITY OR NATURAL GAS TO A CUSTOMER LOCATED IN

(Over)

ANOTHER STATE".

AMENDMENT NO. 2

On page 1, in lines 9 and 14, in each instance, strike "dekatherms" and substitute "therms".

On page 5, in lines 27 and 30, in each instance, strike "DEKATHERMS" and substitute "THERMS".

On page 6, in line 10, strike "4.02" and substitute "0.402"; in the same line, strike "DEKATHERM" and substitute "THERM"; and in line 28, strike "DEKATHERMS" and substitute "THERMS".

On page 7, in line 14, strike "DEKATHERM" and substitute "THERM".

AMENDMENT NO. 3

On page 6, in line 7, strike "0.065" and substitute "0.062".

On page 7, in lines 4 and 8, strike ".0069" and ".0486", respectively, and substitute ".002" and "0.00455", respectively.

On page 11, in line 19, strike "0.065" and substitute "0.062".

AMENDMENT NO. 4

On page 1, strike beginning with "or" in line 15 down through "basis" in line 16.

On page 7, strike beginning with the colon in line 15 down through "(1)" in line 16; and strike beginning with "; OR" in line 17 down through "BASIS" in line 19.

AMENDMENT NO. 5

On page 8, strike beginning with "STATE" in line 32 down through "CORPORATION" in line 33.

AMENDMENT NO. 6

On page 1, in line 28, after "tax;" insert "requiring the Comptroller to adopt certain regulations;".

On page 2, in line 29, strike "11-1A-05" and substitute "11-1A-06".

On page 10, in line 31, after “(B)” insert “(1)”; in line 32, strike “THAT IS OWNED AND OPERATED BY” and substitute “:

(I) THE OWNER OF WHICH IS”;

On page 11, in line 2, after “YEAR” insert “; AND

(II) THAT IS OPERATED BY THE OWNER OR A DESIGNEE OF THE OWNER.

(2) “ON-SITE GENERATED ELECTRICITY” DOES NOT INCLUDE ELECTRICITY GENERATED AT A FACILITY THAT IS OWNED BY MORE THAN ONE PERSON OR GOVERNMENTAL ENTITY UNLESS THE OWNERSHIP OF THE FACILITY AND THE OWNERSHIP OF THE BUILDING OR MACHINERY AND EQUIPMENT THAT CONSUMES THE ELECTRICITY IS SUBSTANTIALLY THE SAME, AS DETERMINED UNDER REGULATIONS THAT THE COMPTROLLER ADOPTS.

(C) “OWNER” MEANS THE PERSON OR GOVERNMENTAL ENTITY THAT HAS A CAPITAL INVESTMENT IN A FACILITY AND THAT FOR FEDERAL INCOME TAX PURPOSES IS ENTITLED TO DEDUCT DEPRECIATION ON THE FACILITY OR WOULD BE ENTITLED TO THE DEDUCTION IF SUBJECT TO THE FEDERAL INCOME TAX”;

and in lines 3 and 5, in each instance, strike “(C)” and “(D)”, respectively, and substitute “(D)” and “(E)”, respectively.

On page 12, after line 6, insert:

“11-1A-06.

THE COMPTROLLER SHALL ADOPT REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS SUBTITLE.”.

AMENDMENT NO. 7

(Over)

On page 12, strike beginning with the colon in line 9 down through “made” in line 10 and substitute “THAT IS DELIVERED”; and strike in their entirety lines 12 through 17, inclusive.

AMENDMENT NO. 8

On page 2, in line 2, after “utilities;” insert “establishing separate property tax subclasses in personal property for machinery and equipment used to generate electricity;”.

On page 3, in line 8, after “1-101(u)(5)(ii)” insert “and 8-101(c)”.

On page 13, after line 26, insert:

“8-101.

(c) Personal property is a class of property and is divided into the following subclasses:

(1) stock in business;

(2) distilled spirits;

(3) operating personal property of a railroad;

(4) OPERATING PERSONAL PROPERTY OF A PUBLIC UTILITY THAT IS MACHINERY OR EQUIPMENT USED TO GENERATE ELECTRICITY;

[ (4) ] (5) ALL OTHER operating personal property of a public utility;

(6) MACHINERY AND EQUIPMENT USED TO GENERATE ELECTRICITY OTHER THAN OPERATING PERSONAL PROPERTY OF A PUBLIC UTILITY; and

[ (5) ] (7) all other personal property that is directed by this article to be assessed.”.

AMENDMENT NO. 9

On page 2, in line 9, strike “make certain annual grants to” and substitute “reimburse”; and in

the same line, after “counties” insert “in certain amounts for certain fiscal years for certain costs of a certain property tax exemption”.

On page 13, strike in their entirety lines 17 through 26, inclusive, and substitute:

“(1) 75% OF ITS VALUE FOR THE TAXABLE YEAR BEGINNING JULY 1, 2000; AND

(2) 50% OF ITS VALUE FOR THE TAXABLE YEAR BEGINNING JULY 1, 2001 AND EACH SUBSEQUENT TAXABLE YEAR.”.

On page 14, in line 16, after “COUNTIES” insert “TO REIMBURSE THE COUNTIES PARTIALLY FOR THE COSTS OF THE PROPERTY TAX EXEMPTION UNDER § 7-237 OF THE TAX - PROPERTY ARTICLE”; strike in their entirety lines 17 through 26, inclusive, and substitute:

<u>“ANNE ARUNDEL</u>	<u>\$ 7,820,202</u>
<u>BALTIMORE CITY</u>	<u>453,421</u>
<u>BALTIMORE</u>	<u>1,794,835</u>
<u>CALVERT</u>	<u>6,096,574</u>
<u>CHARLES</u>	<u>2,522,612</u>
<u>DORCHESTER</u>	<u>187,442</u>
<u>GARRETT</u>	<u>11,907</u>
<u>HARFORD</u>	<u>860,767</u>
<u>MONTGOMERY</u>	<u>2,765,553</u>
<u>PRINCE GEORGE’S</u>	<u>7,744,806</u>
<u>WASHINGTON</u>	<u>357,082</u>

(B) FOR THE FISCAL YEAR THAT BEGINS ON JULY 1, 2000, THE STATE SHALL PAY 50% OF THE AMOUNTS SPECIFIED IN SUBSECTION (A) OF THIS SECTION.”;

and strike in their entirety lines 27 through 33, inclusive.

(Over)

On page 15, in line 4, strike “GRANT” and substitute “REIMBURSEMENT”.

AMENDMENT NO. 10

On page 15, in line 5, strike “2010” and substitute “2020”.

AMENDMENT NO. 11

On page 16, in line 5, strike “rates” and substitute “unbundled rate components”; in the same line, after “2000,” insert “solely”; and strike beginning with “are” in line 7 down through “and” in line 8.

AMENDMENT NO. 12

On page 16, in line 23, after the first “Act” insert “and except as otherwise provided in this Section”; in the same line, strike “The” and substitute “The changes to the property tax under Section 1 of this Act shall be applicable to all taxable years beginning on or after July 1, 2000. The reimbursements to counties under Article 24, §§ 9-1102 and 9-1103 of the Code shall be applicable to all fiscal years beginning on or after July 1, 2000. Except as otherwise provided in this section, the”; and in line 28, after “2000.” insert “If for federal income tax purposes the taxable year of a public service company engaged in an electric or gas business in the State is not the calendar year:

(1) The changes to the public service company franchise tax and the income tax under Section 1 of this Act do not apply to the public service company until the beginning of the public service company’s taxable year for federal income tax purposes during calendar year 2000;

(2) For the period from January 1, 2000, through the end of the public service company’s taxable year for federal income tax purposes that ends during calendar year 2000, the public service company franchise tax as it existed before the changes under Section 1 of this Act shall be imposed on the public service company; and

(3) For the period from the beginning of the public service company’s taxable year for federal income tax purposes that begins during calendar year 2000 through December 31, 2000, the public service company franchise tax as enacted under Section 1 of this Act shall be imposed on the public service company.”.

AMENDMENT NO. 13

On page 2, in line 16, after “effective;” insert “altering certain provisions relating to interest

and penalties on certain underestimated tax for a certain taxable year for a public service company engaged in an electric or gas business in the State;”.

On page 16, after line 33, insert:

“SECTION 5. AND BE IT FURTHER ENACTED, That, for a taxable year beginning after December 31, 1999 but before January 1, 2001, notwithstanding §§ 13-602 and 13-702 of the Tax - General Article:

(a) Except as provided in subsection (b) of this section, the Comptroller shall assess interest and penalty under §§ 13-602 and 13-702 of the Tax - General Article if a public service company engaged in an electric or gas business in the State pays estimated income tax for the taxable year in an amount less than 90% of the tax required to be shown on the public service company’s income tax return for the taxable year.

(b) Subsection (a) of this section does not apply if the public service company pays estimated public service company franchise tax for the taxable year in an amount that when added to the estimated income tax paid by the public service company for the taxable year is at least equal to the public service company franchise tax paid by the public service company for the prior taxable year.”.

AMENDMENT NO. 14

On page 16, strike line 31 in its entirety and substitute “Chapter \_\_\_\_\_ (S.B. 300/H.B. 703) of the Acts of the General”.

AMENDMENT NO. 15

On page 2, in line 17, after “Act;” insert “requiring the Comptroller, the Department of Assessments and Taxation, and the Public Service Commission, in cooperation with certain persons, to conduct a study to be coordinated by the Department of Legislative Services and to report to the General Assembly on or before a certain date;”.

On page 16, before line 34, insert:

(Over)

“SECTION 6. AND BE IT FURTHER ENACTED, That, on or before September 15, 2003, the Comptroller of the Treasury, the Department of Assessments and Taxation, and the Public Service Commission, in cooperation with the Maryland Association of Counties and electric and gas public service companies in the State, shall jointly conduct a study and report to the Senate Budget and Taxation Committee and the House Committee on Ways and Means on the effectiveness of this Act in achieving the General Assembly’s goal of providing for an equitable and rational restructuring of State and local taxes on electric and gas utilities in light of competition and the restructuring of the electric and gas utility industries. The study shall be coordinated by the Department of Legislative Services. The report shall include:

(1) The overall effect on State and local revenues of the tax changes made under this Act;

(2) The overall impact of utility tax reform and retail electric competition and the restructuring of the electric utility industry on local government finances, including the actual effect of the property tax exemption under this Act on property tax revenues, effects on the property tax valuation of electric utility assets, including generation facilities as well as assets other than generation facilities, and electricity costs savings for local governments resulting from electric competition;

(3) The extent to which the revenue effects resulting from utility tax reform and electric competition have been or will be offset or otherwise affected by:

(i) Increases or decreases in growth of other local revenues, including in particular local income, property, and energy taxes and the effect of competition and restructuring of the electric utility industry on the valuation of generation assets and other electric utility assets;

(ii) Local government actions affecting local revenues, including tax rate increases or decreases, the repeal or restructuring of existing taxes, or the enactment of new taxes, and including in particular any changes regarding local energy taxes; or

(iii) Actions of the General Assembly increasing or decreasing State aid to local governments, mandating new local funding for programs or providing funding for programs previously funded by local governments, or otherwise affecting the burden on local government



finances;

(4) The need for and adequacy of the State’s partial reimbursements to the counties for the property tax exemptions, including the appropriate level and duration of the reimbursements for the future;

(5) The actual corporate income tax revenues collected from the electric and gas public service companies and their affiliates, including the cost to the State of the income tax credits for real property tax paid on generating facilities, and additional corporate income tax revenues collected from suppliers of gas and electricity other than public service companies;

(6) The effect of this Act on public service company franchise tax revenues, including, in regards to the overall level of taxation of electricity and gas consumption in the State as compared to other states and in regards to maintaining an appropriate level of State revenues from the public service company franchise tax:

(i) The appropriateness of the per kilowatt hour and per therm rates under the public service company franchise tax; and

(ii) The appropriateness and effect of including in the gross receipts tax base amounts representing transition costs recovery;

(7) The appropriate treatment of self-generated electricity under the State and local tax structure, including the effect of self-generation on public service company franchise tax and local energy tax revenues and the effectiveness of the special use tax on electricity under this Act in preventing leakage from the public service company franchise tax from self-generated electricity; and

(8) The effect of the 50% personal property tax exemption on the competitiveness of Maryland-based electric generation.”;

and in line 34, strike “5.” and substitute “7.”.

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