

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 929

(Prince George's County Delegation and Montgomery
County Delegation)

Ways and Means

Budget and Taxation

Prince George's County Energy Tax - WSSC
PG/MC 115-08

This bill provides that the sale or use of energy or fuel used by the Washington Suburban Sanitary Commission in Prince George's County is not exempt from the Prince George's County energy tax.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues could increase by approximately \$700,000 annually beginning in FY 2009. County expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: Prince George's County may impose, by ordinance, and collect in a percentage no greater than the percentage in effect on July 1, 1992, a sales or use tax on any form of energy or fuel used in Prince George's County, except motor fuels, fuels used in the production of other forms of energy that are subject to the tax, and energy or fuel used by a municipal corporation in the county.

The WSSC is exempt from the Prince George's County energy tax. **Exhibit 1** shows the current energy tax rates in Prince George's County for fiscal 2008.

Exhibit 1
Prince George's Energy Taxes – Fiscal 2008

Natural Gas (residential)	\$0.085487 per therm
Fuel Oil (residential)	0.150968 per gallon
Electricity	0.006714 per kWh
Propane, miscellaneous	0.185493 per gallon

Source: Maryland Association of Counties

The county is expected to collect \$57.1 million in fiscal 2008 from the various energy taxes imposed by the county.

Background: WSSC has been and is currently paying a form of a fuel-energy tax in Montgomery County. Omnibus taxing authority was granted to Montgomery County by the State in Chapter 808 of 1963, which is codified as Section 52-17 of the Montgomery County Code. This authority gives Montgomery County the power to tax to the same extent as the State. Pursuant to this authority, Montgomery County adopted a fuel-energy tax that is codified as Section 52-14 of the Montgomery County Code.

Unlike Prince George's County, the Montgomery County fuel-energy tax is not levied on users of fuel or energy but rather is levied and imposed upon persons transmitting, distributing, manufacturing, producing, or supplying fuel or energy. The tax is a "pass through" charge for the utility or fuel company and appears on a customer's bill as a separate line item charge. As a result, WSSC, as the customer, is "indirectly" paying the tax to Montgomery County. WSSC estimates that it paid \$1,280,000 to Montgomery County in fiscal 2007, based on its electricity consumption (98,752,000 kWh) within the county.

Local Fiscal Effect: This bill would give Prince George's County the same taxing authority as Montgomery County with regards to electricity and fuel sold or used by WSSC. WSSC has been exempted from the Prince George's County energy tax since 1988.

In fiscal 2007, WSSC consumed 96,187,544 kWh of electricity within Prince George's County. Based on the current tax rate of \$.0067140/kWh, WSSC would have been liable

for \$645,800 in additional taxes in fiscal 2007. It is estimated that this amount would increase for fiscal 2009 and later years to allow for water and wastewater flow and pumpage increases. As a result, it is estimated that WSSC would be required to pay Prince George's County approximately \$700,000 in tax payments annually beginning in fiscal 2009.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Comptroller's Office, Washington Suburban Sanitary Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2008
mll/hlb

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