

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 919
Ways and Means

(Delegate Valentino-Smith, *et al.*)

Property Tax Credit - Group Homes - Power Generators

This bill authorizes local governments to grant a maximum \$1,000 property tax credit against the property tax imposed on a qualifying group home if the qualifying group home installs a qualified generator. The tax credit may only be granted in the taxable year in which the qualified generator is installed. Local governments must establish procedures for the application, review, and approval of the tax credit.

A qualifying group home is a facility in which individuals who have been or are under medical or rehabilitative treatment may be provided supportive care or treatment and that is overseen by the Department of Health and Mental Hygiene, the Department of Human Resources, or the Department of Juvenile Services.

The bill takes effect June 1, 2013, and applies to taxable years beginning after June 30, 2013.

Fiscal Summary

State Effect: None.

Local Effect: To the extent local governments authorize the property tax credit, local government revenues will decrease by up to \$1,000 for each qualifying group home that installs a qualified generator. Under one set of assumptions, county property tax revenues may decrease by approximately \$93,000. County expenditures may increase for enforcement and monitoring.

Small Business Effect: Minimal.

Analysis

Current Law: Local governments are subject to statewide mandatory tax credit programs and have general authority to grant tax credits for certain types of property. They also are subject to mandatory and optional tax credits specific to individual counties and municipalities. Tax credits that may be authorized by local governments, against local property taxes only, are specified by law for various types of property, including cemetery property; structures utilizing solar or geothermal energy saving devices; historic property undergoing restoration or preservation; manufacturing, fabricating, and assembling facilities; agricultural land subject to Maryland agricultural land preservation easements; newly constructed dwellings that are unsold or unrented; open space; tobacco barns; and other specified property.

Background: Several major outage events have occurred in the State in recent years. For example, several violent thunderstorms hit the Pepco service territory on July 25, August 5, and August 12, 2010, causing power outages to 297,000, 75,000, and 98,000 customers, respectively. The Public Service Commission (PSC) received many complaints about the outages. On January 26, 2011, a winter storm caused 126,000 peak customer outages in the Baltimore Gas and Electric (BGE) service territory and 190,000 peak customer outages in the Pepco service territory.

Recently, a “derecho” storm on June 29, 2012, severely impacted electrical service to a large portion of the State, especially in the BGE and Pepco service territories. High sustained wind speeds with gusts in excess of 65 miles per hour (mph) resulted in downed trees, broken telephone poles, and damaged electric distribution infrastructure. Based on the definition of “major outage event,” most electric companies in the State were required to file a written report on the outage and subsequent repair services. The reports indicate that BGE and Pepco each experienced over 750,000 total customer outages, with maximum concurrent interruptions of over 400,000 customers each – significantly higher than any other recent major outage event. **Exhibit 1** contains information related to customer outages and service restoration for each electric company that filed a report. Full copies of each of the reports can be found on PSC’s website under Case No. 9298.

Exhibit 1
Summary Statistics – Utility Major Outage Event Reports
June 29, 2012 Derecho Storm

	<u>Total Maryland Customers</u>	<u>Total Customer Outages</u>	<u>Maximum Concurrent Interruptions</u>	<u>Customer Interruption Hours</u>	<u>Average Duration per Customer (Hours)</u>	<u>Duration of Major Outage Event</u>
BGE	1,240,173	762,781	429,841	28,643,177	37.6	8 Days, 15 Hours
Delmarva	194,945	50,476	28,059	436,823	8.7	3 Days, 19 Hours
Pepco	534,601	786,766	410,679	20,465,930	26.0	8 Days, 6 Hours
SMECO	151,800	83,250	56,424	1,203,860	14.5	3 Days, 19 Hours

SMECO: Southern Maryland Electric Cooperative
Source: Major Outage Reports Filed in PSC Case No. 9298

Finally, Hurricane Sandy made landfall near Atlantic City, New Jersey, on October 28, 2012. Much of Maryland experienced sustained wind speeds in excess of 35 mph, with gusts ranging from 55 to 65 mph. Many areas in the State experienced between four and six inches of rain, and some areas on the Eastern Shore experienced double that, while some areas in Western Maryland received approximately two feet of snow. Despite these totals, customer outages were fewer and of shorter duration, on average, than those related to the June 2012 storm. Customer outages in each service territory were approximately:

- 350,000 in BGE;
- 110,600 in Potomac Edison;
- 83,600 in Delmarva;
- 81,400 in Pepco; and
- 35,800 in SMECO.

Additional outage information for each electric company can be found in the major storm reports posted on PSC’s website under Case No. 9308.

Local Fiscal Effect: To the extent local governments authorize the property tax credit, local government revenues will decrease by up to \$1,000 for each qualifying group home that installs a qualified generator. The tax credit is applicable for the taxable year in which the qualified generator is installed. It is not known how many qualifying group homes currently have qualifying generators, nor when and if qualifying group homes without a qualifying generator may install one.

The Governor’s Office for Children has identified 346 group homes in Maryland, as shown in **Exhibit 2**. At least 159 of these group homes are nonprofits and therefore not subject to State and local property taxes. As a result, they would not be eligible for the property tax credit provided by the bill. *For illustrative purposes only*, if 50% of the remaining 187 group homes install a qualifying generator, county property taxes may decrease by approximately \$93,000. Municipal property tax revenues will also decrease by up to \$1,000 for each qualifying group home located within a municipality.

In addition, local expenditures may increase for monitoring and enforcement to make sure those qualifying group homes that claim the tax credit did install a qualified generator.

Exhibit 2
Group Homes in Maryland

County	Group Homes
Allegany	3
Anne Arundel	15
Baltimore City	82
Baltimore	64
Calvert	1
Caroline	3
Carroll	1
Cecil	6
Charles	3
Dorchester	2
Frederick	4
Garrett	3
Harford	7
Howard	8
Kent	1
Montgomery	36
Prince George’s	79
Queen Anne’s	1
St. Mary’s	4
Somerset	0
Talbot	1
Washington	15
Wicomico	7
Worcester	0
Total	346

Source: Governor’s Office for Children; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Anne Arundel, Dorchester, Garrett, Howard, and Montgomery counties; Town of Bel Air; Town of Leonardtown; Governor's Office for Children; Department of Human Resources; Department of Health and Mental Hygiene; State Department of Assessments and Taxation; Department of Juvenile Services; Department of Legislative Services

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