

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 689

(Senator Montgomery, *et al.*)

Budget and Taxation

Property Tax Credit - Retail Service Stations - Alternate Power Sources

This bill requires local governments to grant a property tax credit against the property tax imposed on a retail service station if the retail service station has installed an alternative power source. The amount of the tax credit is equal to the lesser of 100% of the value of the alternate power source or \$20,000. The tax credit must be granted in the taxable year in which the alternate power source is installed.

The bill takes effect October 1, 2013, and applies to taxable years beginning after June 30, 2014.

Fiscal Summary

State Effect: None.

Local Effect: Local government revenues decrease by up to \$20,000 for each retail service station that installs an alternate power source beginning in FY 2015. Under one set of assumptions, county property tax revenues may decrease by approximately \$21.0 million. County expenditures may increase for enforcement and monitoring.

This bill imposes a mandate on a unit of local government.

Small Business Effect: Meaningful. Retail service stations will realize up to a \$20,000 reduction in real property taxes in the year any alternate power source is installed.

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.

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.

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

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: Local property tax revenues will decrease by up to \$20,000 for each retail service station that installs an alternate power source. The tax credit is applicable for the taxable year in which the equipment is installed. It is not known how many retail service stations currently have an alternate power source, nor when and if retail service stations without one will install one.

The Maryland Department of Agriculture Weights and Measures Unit, which regulates the sale of gasoline through gasoline pumps by verifying accurate measurement, indicates that there are 2,101 gas station accounts with one or more gasoline pumps, as shown in **Exhibit 2**. The department indicates that approximately 200 of these accounts are small airports and marinas which have at least one gas pump. *For illustrative purposes only*, if 50% of the gas station accounts shown in Exhibit 2 install an alternate power source, county property tax revenues will decrease by approximately \$21 million. The estimate assumes a \$20,000 tax credit. Municipal property tax revenues will also decrease by lesser of 100% of the value of the alternate power source or \$20,000 for each retail service station located within a municipality.

In addition, local expenditures may increase for monitoring and enforcement to make sure those retail service stations that claim the tax credit did install an alternate power source.

Exhibit 2
Gas Station Accounts and Potential Revenue Decrease
Based on a \$20,000 Tax Credit

County	Number of Gas Station Accounts*	County Revenue Decrease
Allegany	37	(\$370,000)
Anne Arundel	222	(2,220,000)
Baltimore City	163	(1,630,000)
Baltimore	258	(2,580,000)
Calvert	42	(420,000)
Caroline	24	(240,000)
Carroll	59	(590,000)
Cecil	63	(630,000)
Charles	58	(580,000)
Dorchester	32	(320,000)
Frederick	83	(830,000)
Garrett	34	(340,000)
Harford	93	(930,000)
Howard	74	(740,000)
Kent	26	(260,000)
Montgomery	212	(2,120,000)
Prince George's	291	(2,910,000)
Queen Anne's	44	(440,000)
St. Mary's	22	(220,000)
Somerset	54	(540,000)
Talbot	29	(290,000)
Washington	70	(700,000)
Wicomico	67	(670,000)
Worcester	44	(440,000)
Total	2,101	(\$21,010,000)

*Includes approximately 200 marina and small airport accounts.

Source: Maryland Department of Agriculture; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Carroll, Cecil, Harford, and Montgomery counties; Maryland Department of Agriculture; State Department of Assessments and Taxation; Public Service Commission; Department of Legislative Services

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