

HOUSE BILL 969

Q1

5lr3270
CF SB 774

By: **Delegate A. Johnson**

Introduced and read first time: January 31, 2025

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Property Tax – Valuation of Operating Property of Rural Broadband Service**
3 **Providers**

4 FOR the purpose of requiring the State Department of Assessments and Taxation, subject
5 to certain limitations, to use a certain method when determining the value of the
6 operating property of a provider of rural broadband service; and generally relating
7 to the valuation of the property of rural broadband service providers.

8 BY repealing and reenacting, with amendments,

9 Article – Tax – Property

10 Section 8–109

11 Annotated Code of Maryland

12 (2019 Replacement Volume and 2024 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
14 That the Laws of Maryland read as follows:

15 **Article – Tax – Property**

16 8–109.

17 (a) **[The] EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS SECTION, THE**
18 Department shall annually value the operating unit of a public utility on the basis of the
19 value of the operating property of the public utility, by considering:

20 (1) the earning capacity of the operating unit; and

21 (2) all other factors relevant to a determination of value of the operating
22 unit.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (b) The Department shall allocate to this State the value of that part of the
2 operating unit that is reasonably attributable to the part located in this State.

3 (c) (1) From the value allocated to this State under subsection (b) of this
4 section, the Department shall deduct:

5 (i) the fair average value of fuel that represents the percentage
6 reduction or exemption authorized by §§ 7-108, 7-222, and 7-226 of this article; and

7 (ii) the assessment of operating property, if any, that is exempt by
8 law from property tax.

9 (2) (i) The value remaining after making the deductions shall be
10 divided into an operating real property value and an operating personal property value, as
11 determined by the Department.

12 (ii) The value of operating real property is the assessment of
13 operating real property of a public utility.

14 (iii) The value of operating personal property is the assessment of
15 operating personal property of a public utility.

16 (3) Operating land of a public utility is valued and assessed by the
17 Department as part of the operating unit and is not valued and assessed by the supervisor.

18 (4) The provisions of this subsection are not intended to alter the law as
19 codified in former Article 81 of the Code that was in effect as of January 31, 1986.

20 (5) Returns, notices, and appeals of operating property assessments shall
21 be administered pursuant to the sections of this article governing personal property
22 assessments.

23 (d) For operating property of a public utility, the Department shall apportion the
24 assessment of that operating property among the counties and municipal corporations
25 where the operating property is located.

26 (e) (1) In determining whether to classify a company as a public utility, the
27 Department shall consider and evaluate whether the company:

28 (i) is subject to the authority of a regulatory body of the State or the
29 federal government, such as the Maryland Public Service Commission, the Federal
30 Communications Commission, or the Federal Energy Regulatory Commission;

31 (ii) uses a significant portion of the real and personal property used
32 in its business operations as an integrated whole or unit;

33 (iii) provides a basic service to the public; and

1 (iv) owns or uses assets that are most appropriately appraised using
2 the unit valuation method.

3 (2) Notwithstanding a company's failure to meet all of the criteria under
4 paragraph (1) of this subsection, the Department may classify the company as a public
5 utility if the Department determines that the company predominantly meets the criteria.

6 **(F) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IN**
7 **DETERMINING THE VALUE OF OPERATING PROPERTY OF A PROVIDER OF RURAL**
8 **BROADBAND SERVICE, THE DEPARTMENT:**

9 **(I) WHEN USING AN INCOME APPROACH, SHALL CONSIDER**
10 **ONLY ACTUAL OPERATING INCOME; AND**

11 **(II) WHEN USING A REPLACEMENT COST APPROACH, SHALL**
12 **OFFSET THE VALUATION OF PROPERTY TO THE EXTENT OF ANY CONTRIBUTIONS,**
13 **TAX CREDITS, OR OTHER SUBSIDIES AND BENEFITS PROVIDED BY A GOVERNMENTAL**
14 **UNIT OR PROGRAM.**

15 **(2) THE DEPARTMENT MAY USE THE REPLACEMENT COST APPROACH**
16 **UNDER PARAGRAPH (1)(II) OF THIS SUBSECTION ONLY IF THE VALUE DETERMINED**
17 **IS LESS THAN THE VALUE DETERMINED USING THE INCOME APPROACH UNDER**
18 **PARAGRAPH (1)(I) OF THIS SUBSECTION.**

19 **[(f)] (G)** The Department may adopt regulations to carry out the provisions of
20 this section.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June
22 1, 2025, and shall be applicable to all taxable years beginning after June 30, 2025.