HB 1233

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1233 (Delegates A. Johnson and S. Johnson)
Economic Matters

Community Solar Energy Generating Systems - Subscription Eligibility

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This bill authorizes an LMI subscriber, as defined, to hold a subscription to a community solar energy generating system located in a different electric service territory than the one in which the subscriber resides. The bill also expands the existing definition of LMI subscriber to include a subscriber that resides in a census tract that is an overburdened community *or* (as opposed to *and*) an underserved community. An LMI subscriber that does not reside in the same electric service territory as the community solar energy generating system must receive the same bill credit value as an LMI subscriber that does. By order or regulation, the Public Service Commission (PSC) must establish a process for the exchange of community solar bill credits between community solar energy generating systems that are located in different electric service territories.

Fiscal Summary

State Effect: Special fund expenditures for PSC may increase beginning as early as FY 2026, as discussed below. Special fund revenues for PSC increase correspondingly.

Local Effect: The bill is not anticipated to materially affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Current Law: A community solar energy generating system is a system that, in addition to other requirements:

- has a generating capacity that does not exceed five megawatts as measured by the alternating current rating of the system's inverter;
- has at least two subscribers, but no limit to the maximum number of subscribers;
- serves at least 40% of its energy output to "LMI subscribers" unless the system is wholly owned by the subscribers to the system; and
- credits its generated electricity, or the value of its generated electricity, to the bills of the subscribers to that system through virtual net energy metering.

An LMI subscriber is one that is low-income, moderate-income, or resides in a census tract that is an overburdened and underserved community, as those terms are further defined. Generally, an overburdened community is any census tract for which three or more specified environmental health indicators are above the 75th percentile statewide. An underserved community is any census tract in which, according to the most recent U.S. Census Bureau survey, (1) at least 25% of the residents qualify as low-income; (2) at least 50% of the residents identify as nonwhite; or (3) at least 15% of the residents have limited English proficiency.

Subscribers must be in the same electric service territory as the system. Investor-owned electric companies must participate in the program; large electric cooperatives and municipal utilities may choose to participate.

Community solar is a form of net metering, which is subject to an overall statewide cap of 3,000 megawatts. For a general overview of net metering and other notable State incentives for solar, see the **Appendix – Incentives for Solar Energy Generating Systems**.

State Fiscal Effect: PSC advises that the bill may increase the number of community solar systems seeking a Certificate of Public Convenience and Necessity (CPCN), which may require additional staff. However, PSC cannot reliably determine staff needs at this time. PSC further advises that it is unclear what procedures must be put in place to implement the exchange of solar bill credits between community solar energy generating systems located in different electric service territories, although PSC did not indicate any additional costs associated with the requirement. The Office of People's Counsel expressed comparable uncertainty about the implementation of that requirement.

Accordingly, special fund expenditures for PSC increase beginning as early as fiscal 2026 to the extent that the bill increases CPCN applications or other administrative requirements beyond what existing staff can handle. Generally, PSC is funded through an assessment each fiscal year on the public service companies that it regulates. As a result, special fund revenues for PSC increase correspondingly to cover any associated costs.

Small Business Effect: The bill broadens the eligible customer base for community solar energy generating systems by removing the geographic boundary of the utility service territory and expanding the definition of LMI subscriber. These changes may benefit small solar businesses constructing, owning, and/or operating community solar energy generating systems under the program.

Additional Comments: The Department of Natural Resources posted a map online in 2024 showing census tracts that are underserved, overburdened, or both, as part of its implementation of the Greenspace Equity Program.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 1022 (Senator C. Jackson) - Rules.

Information Source(s): Public Service Commission; Office of People's Counsel; Department of Natural Resources; Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2025
rh/lgc

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Appendix – Incentives for Solar Energy Generating Systems

State law establishes multiple incentives for solar energy generating systems of different types, sizes, and locations. The following is an overview of notable State incentives, which may be combined, depending on the specifics of a particular solar energy generating system.

Production Incentives

Net Metering

Under § 7-306 of the Public Utilities Article, the Public Service Commission (PSC) must require electric companies to develop and make net metering tariffs available to eligible customer-generators. Net metering is the measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by the customer and fed back to the grid over the customer's billing period. Under net metering, the customer pays only for energy used, netted against energy generated, plus the fixed monthly customer charge. In the event that more energy is generated than used, the electric company must pay the customer the value of the difference, subject to specified requirements. Generally, net excess generation payments are made annually, although certain customers may instead choose to accrue net excess generation indefinitely.

Generally, the generating capacity of an eligible customer-generator for net metering may be up to 2 megawatts, although there are exceptions allowing for larger capacities, including for community solar. Community solar systems are those that meet specified requirements, have multiple subscribers, and engage in virtual net metering.

There are multiple eligible energy sources for net metering, although most of the installed capacity is solar. The statewide capacity limit is 3,000 megawatts.

Renewable Energy Portfolio Standard

Under Title 7, Subtitle 7 of the Public Utilities Article, which establishes the State Renewable Energy Portfolio Standard (RPS), utilities and other competitive energy suppliers must submit renewable energy credits (RECs) equal to a percentage of their retail electricity sales specified in statute each year or else pay an alternative compliance payment (ACP) equivalent to their shortfall. Generally, an REC is a tradable commodity equal to one megawatt-hour of electricity generated or obtained from a renewable energy generation source. In program compliance year 2025, RPS percentage requirements include 7.0% from solar, which must be connected to the electric distribution grid serving Maryland.

Under § 7-709.1 of the Public Utilities Article, PSC must establish a Small Solar Energy Generating System Incentive Program and begin determining eligibility by January 1, 2025. Under the program, a solar energy generating system that meets specified requirements and is certified by PSC generates certified solar RECs, which have an RPS compliance value of 150%, for 15 years. In addition to other requirements, an eligible system must be placed in service between July 1, 2024, and January 1, 2028, inclusive.

Grant and Loan Incentives

Under § 9-20B-05 of the State Government Article, the Maryland Energy Administration (MEA) must administer the Strategic Energy Investment Fund (SEIF). Among other revenue sources, SEIF receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI) and ACP revenues through the State RPS. RGGI-sourced funding is allocated through a statutory formula that provides significant annual funding for clean energy programs and initiatives, in addition to other purposes. In practice, MEA offers a variety of residential and commercial grants and rebates for different types of solar installations. Solar ACP revenues must be used make grants and loans to support the creation of new solar energy sources in the State that are owned by or directly benefit low- to-moderate income communities, overburdened or underserved communities, or households with low- to-moderate income.

Tax Incentives

Solar Energy Property Generally Not Subject to State or Local Real Property Tax

Under § 7-242 of the Tax-Property Article, solar energy property is generally not subject to State or local real property tax. "Solar energy property" means equipment that is installed to use solar energy or solar thermal electric energy to generate electricity to be used in a structure or supplied to the electric grid or provide hot water for use in a structure.

Specified Nonresidential Solar Systems Exempt from Valuation or State or Local Property Taxes

Under § 7-249 of the Tax-Property Article, specified nonresidential solar energy generating systems that are constructed on the rooftops of buildings or on parking facility canopies are not subject to valuation or to State or local property taxes. The exemption applies only to a system approved by PSC for a Certificate of Public Convenience and Necessity (CPCN) or CPCN exemption on or after July 1, 2024.

Community Solar Personal Property Tax Exemption

Under § 7-237 of the Tax-Property Article, a community solar energy generating system with up to 5 megawatts of capacity that meets specified requirements is exempt from the county and municipal personal property tax through the life cycle of the system. To be eligible, a system must (1) be placed in service after June 30, 2022, and be approved by PSC by December 31, 2030; (2) provide at least 50% of the energy produced to low- to moderate-income customers at reduced prices, as specified; and (3) be used for agrivoltaics or be installed on a rooftop, brownfield, parking facility canopy, landfill, or clean fill.

Community Solar Real Property Tax Credit

Under § 9-111 of the Tax-Property Article, the State and local governments must grant a 50% property tax credit for a brownfield, landfill, or clean fill on which a specified community solar energy generating system is installed.

Optional Local Property Tax Credit for Solar Energy Devices

Under § 9-203 of the Tax-Property Article, counties and municipalities are authorized to grant tax credits against county or municipal property taxes for the use of a solar energy, geothermal energy, or qualifying energy conservation device in a structure for the purposes of heating and cooling, electricity generation, or the provision of hot water. Local governments may establish related definitions in determining eligibility for the credit.

Optional Local Real Property Assessment Reduction for Certain Parking Canopies

Under § 7-250 of the Tax-Property Article, the governing body of a county or municipality may reduce or eliminate, by law, the percentage of the assessment of any real property that is subject to the county or municipal property tax if the real property includes a parking facility on which a solar energy generating system has been constructed on its canopy. These provisions apply only to real property that includes a parking facility on which a system has been approved by PSC for a CPCN or CPCN exemption on or after July 1, 2024.

Sales and Use Tax Exemptions

Under § 11-230 of the Tax-General Article, the sales and use tax does not apply to the sale of solar energy equipment, which is defined as equipment that uses solar energy to heat or cool a structure, generate electricity to be used in a structure or supplied to the electric grid, or provide hot water for use in a structure.

Under § 11-207 of the Tax-General Article, the sales and use tax does not apply to the sale of electricity generated by solar energy equipment for use in residential property owned by an eligible customer-generator under the State's net metering law.