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Sponsor Statement

Senate Bill 860 - Property Tax – Community Solar Energy Generating Systems - Agrivoltaics

March 10, 2022

Mr. Chairman and Members of the Budget & Taxation Committee,

Today, only a small number of American households and businesses have access to solar because they rent or live in multi-tenant buildings, have roofs that are unable to host a solar system or are shaded by trees, or experience some other mitigating factor preventing them from having solar on their rooftop.

Community solar refers to local solar facilities shared by multiple community subscribers who receive credit on their electricity bills for their share of the power produced. This model for solar is being rapidly adopted nationwide.

In Maryland, we are operating under a community solar pilot program, which will likely lead to projects through 2025, a certain amount of which must be dedicated to low- and moderate-income families. Under current law, community solar projects are limited to 2 megawatts – or between 10-20 acres.

Community solar development is part of the solution to address global climate change and leads to cleaner air and water. Unfortunately, as we have promoted a state policy to advance community solar in Maryland to meet climate goals and other objectives, some local governments have set barriers to community solar development.

A common refrain, including from some in my county, has been to urge community solar developers to build projects on parking decks, landfills, and other more expensive locations than on agriculturally zoned land. Some development can and does work on locations other than agriculture. However, it is oftentimes far more expensive to develop community solar in areas other than agricultural zoned land.

This bill seeks to help establish community solar development projects on rooftops, brownfields, landfills, and clean fills. It also seeks to incentivize Agrivoltaics, which is the simultaneous use of land for solar and agricultural farming.

To achieve this objective, the SB 860 would temporarily reduce certain taxes for community solar development in more expensive locations or if done with Agrivoltaics, where solar and farming occurs. From the state and local perspective, there is no lost revenue if projects are rarely developed on such costly, hard-to-build locations without these incentives. However, such incentives will induce development in more challenging and costly locations, and ensure the affordability for community solar subscribers, including low- and moderate-income subscribers.

Specifically, the bill does the following:

1. **No Local Personal Property Tax.**
    a. There would be no local personal property tax on the solar equipment if the community solar generating facility is developed on a rooftop, brownfield, landfill, or clean fill.
    b. There would also be no local personal property tax if the community solar project is an Agrivoltaics project – meaning that the land is also used for agricultural farming purposes.

    It is worth noting that state law already <u>mandates</u> a 50% reduction in the personal property tax for machinery producing electricity. This bill would merely exempt 100% of the personal property tax for a very narrow subset of electricity production – community solar developed in more expensive locations.

2. **50% Reduction in State and Local Real Property Tax.**
    a. There would be a 50% reduction in state and local real property taxes for community solar generating facilities developed on a brownfield, landfill, or clean fill.

3. **Maintain Zoning as Agriculture When Agrivoltaics.**
    a. Community solar generating facilities constructed on agricultural land via Agrivoltaics would continue to be zoned as "Agricultural" as opposed to "commercial" or "industrial" zoning for real property tax purposes. If land is still being utilized for farming, along with community solar development, then it should continue to be zoned as "agriculture" for tax purposes.

Finally, it is worth noting that this temporary, and narrowly tailored tax reduction, which will be studied by the Maryland Energy Administration (MEA) to determine its effectiveness in incentivizing community solar development in more challenging and costly locations, will only be available for projects approved by the PSC before December 31, 2025. Depending on the MEA study, which will be reported to the General Assembly before the 2025 Session, we can decide whether to let the tax reductions sunset or to enact legislation to modify and/or extend the tax reductions.

As we continue to look for solutions for more sustainable energy sources, this legislation is another tool in our toolbox and so I respectfully request a favorable report on Senate Bill 860.