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Ways and Means Committee
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

SPONSOR TESTIMONY

**House Bill 1039 Property Tax – Community Solar Energy Generating Systems -
Agrivoltaics**

Madame Chair and Members of the Committee,

Today, only a small number of American households and businesses have access to solar electricity 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 accessing solar electricity.

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.

Obviously, 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, there are barriers to solar development.

A common issue has been that community solar developers are encouraged 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 energy product and agriculture. This will lower the cost of community solar development while supporting the agricultural industry and moving our state closer to zero-emission energy production.

To achieve this objective, House Bill 1039 seeks to 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. An example of this would be solar panels on top of a barn.
- c. State law already mandates 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 for 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.

I thank the Committee for your consideration of this legislation and respectfully request a favorable report.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Luedtke". The signature is written in a cursive style with a large initial "E" and a prominent flourish at the end.

Delegate Eric Luedtke