



Senate Bill 774

Property Tax – Valuation of Operating Property of Rural Broadband Service Providers

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

WITH AMENDMENTS

Date: February 26, 2025

From: Kevin Kinnally and Karrington Anderson

The Maryland Association of Counties (MACo) **SUPPORTS SB 774 WITH AMENDMENTS** to ensure a fair and sustainable tax policy while advancing rural broadband expansion. This bill grants rural broadband service providers a permanent tax carveout, giving them a lasting advantage over other industries while shifting significant costs onto counties.

SB 774 grants rural broadband providers a deep, ongoing tax break, slashing their property assessments to the lowest possible value while subtracting public subsidies, tax credits, and grants. This structure artificially lowers tax obligations, stripping counties of critical revenue for schools, public safety, roads, and other essential services. Meanwhile, the providers benefit from an indefinite tax break, even as their networks become profitable over time, with no requirement to reinvest in communities or expand service—shifting the cost burden onto residents and businesses.

Counties have led efforts to expand broadband, committing funding, infrastructure, and strategic support to bridge the digital divide. These investments have accelerated deployment, subsidized access, and reduced provider costs. **However, broadband networks mature into profitable enterprises, with providers building customer bases, stabilizing revenues, and expanding operations. SB 774 treats broadband as a perpetual fiscal burden rather than a growing industry, locking in permanent tax advantages without requiring long-term community investment.**

While some counties may want to offer targeted relief to support broadband expansion, that decision should remain a local choice, not a mandated tax break. As such, MACo urges an amendment to authorize counties to expressly negotiate Payment in Lieu of Taxes (PILOT) agreements with broadband providers. PILOT agreements provide a flexible, locally driven tool that allows counties to balance economic development incentives with fiscal responsibility while ensuring broadband companies contribute to the communities they serve.

Absent the amendment, this bill imposes a significant unfunded mandate on counties, leaving no mechanism to recover lost revenue and forcing difficult trade-offs in funding essential services. Accordingly, MACo urges the Committee to issue a **FAVORABLE WITH AMENDMENTS** report on SB 774 to ensure tax fairness, fiscal responsibility, and local flexibility while supporting rural broadband expansion. MACo's proposed amendments are included on the following page.

MACo PROPOSED AMENDMENTS TO SB 774

AMENDMENT NO. 1

On page 1, in line 17, strike the bracket; and in the same line, strike “EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS SECTION, THE”.

AMENDMENT NO. 2

On page 3, strike in their entirety lines 6 through 18, inclusive, and substitute:

“ (E) THE GOVERNING BODY OF A COUNTY MAY AUTHORIZE, BY LAW, AN EXEMPTION FROM COUNTY PROPERTY TAX FOR THE OPERATING PROPERTY OF A RURAL BROADBAND SERVICE PROVIDER AND PROVIDE FOR A NEGOTIATED PAYMENT IN LIEU OF THE TAX.

(F) THE GOVERNING BODY OF A COUNTY MAY DETERMINE THE TERMS, CONDITIONS, AND DURATION OF ANY PAYMENT IN LIEU OF TAXES AGREEMENT ENTERED INTO UNDER SUBSECTION (E) OF THIS SECTION, INCLUDING BUT NOT LIMITED TO THE AMOUNT OF PAYMENT AND ANY REQUIREMENTS RELATED TO SERVICE EXPANSION OR INFRASTRUCTURE IMPROVEMENTS.”.