

HOUSE BILL 969

Q1

5lr3270
CF SB 774

By: ~~Delegate A. Johnson~~ Delegates A. Johnson, Griffith, and Wells

Introduced and read first time: January 31, 2025

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 4, 2025

CHAPTER _____

1 AN ACT concerning

2 **Property Tax – ~~Valuation of Operating Property of Rural~~ Payment in Lieu of**
3 **Taxes Agreements – Broadband Service 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~~ authorizing the governing body of a county to enter into a payment
8 in lieu of taxes agreement with a provider of broadband service located in the county
9 for property located in the county and owned by the provider; and generally relating
10 to payment in lieu of taxes agreements for the property of rural broadband service
11 providers.

12 ~~BY repealing and reenacting, with amendments,~~
13 ~~Article – Tax – Property~~
14 ~~Section 8–109~~
15 ~~Annotated Code of Maryland~~
16 ~~(2019 Replacement Volume and 2024 Supplement)~~

17 BY adding to
18 Article – Tax – Property
19 Section 7–522
20 Annotated Code of Maryland
21 (2019 Replacement Volume and 2024 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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

Article – Tax – Property

~~§ 109.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~[(f)] (C) The Department may adopt regulations to carry out the provisions of this section.~~

7-522.

1 (A) THE GOVERNING BODY OF A COUNTY MAY ENTER INTO AN AGREEMENT
2 WITH A BROADBAND SERVICES PROVIDER LOCATED IN THE COUNTY FOR A
3 NEGOTIATED PAYMENT BY THE PROVIDER IN LIEU OF TAXES ON PROPERTY
4 LOCATED IN THE COUNTY AND OWNED BY THE PROVIDER.

5 (B) AN AGREEMENT FOR A NEGOTIATED PAYMENT IN LIEU OF TAXES UNDER
6 THIS SECTION SHALL PROVIDE THAT, FOR THE TERM SPECIFIED IN THE
7 AGREEMENT:

8 (1) THE PROVIDER SHALL PAY TO THE COUNTY A SPECIFIED AMOUNT
9 EACH YEAR IN LIEU OF THE PAYMENT OF COUNTY REAL AND PERSONAL PROPERTY
10 TAX; AND

11 (2) ALL OR A SPECIFIED PART OF THE PROVIDER'S REAL AND
12 PERSONAL PROPERTY LOCATED IN THE COUNTY SHALL BE EXEMPT FROM COUNTY
13 PROPERTY TAX FOR THE TERM OF THE AGREEMENT.

14 (C) AS SPECIFIED IN AN AGREEMENT FOR A NEGOTIATED PAYMENT IN LIEU
15 OF TAXES UNDER THIS SECTION, FOR THE TERM SPECIFIED IN THE AGREEMENT, THE
16 PROVIDER'S REAL AND PERSONAL PROPERTY LOCATED IN THE COUNTY IS EXEMPT
17 FROM COUNTY PROPERTY TAX.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June
19 1, 2025, and shall be applicable to all taxable years beginning after June 30, 2025.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.