

SENATE BILL 774

Q1

5lr3267
CF HB 969

By: **Senators Hershey and Zucker**

Introduced and read first time: January 27, 2025

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Property Tax – Valuation of Operating Property of Rural Broadband Service**
3 **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 the property of rural broadband service providers.

8 BY repealing and reenacting, with amendments,
9 Article – Tax – Property
10 Section 8–109
11 Annotated Code of Maryland
12 (2019 Replacement Volume and 2024 Supplement)

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

15 **Article – Tax – Property**

16 8–109.

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

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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(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)] (G) The Department may adopt regulations to carry out the provisions of this section.

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