HB 1111

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1111 (Delegate Fraser-Hidalgo)
Economic Matters

Public Utilities - Solar Energy Generating Systems - Floating Systems and Systems Located on Brownfields

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This bill expands eligibility under the Small Solar Energy Generating System Incentive Program to include floating solar energy generating systems on nonnavigable bodies of water with generating capacities between 20 kilowatts and 5 megawatts. Floating systems must otherwise meet all other program eligibility requirements. The bill also exempts specified nonresidential solar energy generating systems that are floating systems or that are constructed on brownfields, as defined in current law, from valuation or State or local property tax. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The Public Service Commission (PSC), State Department of Assessments and Taxation (SDAT), and the Maryland Department of the Environment (MDE) can handle the bill's requirements with existing budgeted resources. Annuity Bond Fund (ABF) revenues may decrease beginning in FY 2026. Any decrease may require either (1) an increase in the State property tax rate or (2) a general fund appropriation to cover debt service on the State's general obligation (GO) bonds.

Local Effect: Local property tax revenues decrease, potentially significantly, beginning in FY 2026. Local finances and operations are not otherwise materially affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Current Law:

Small Solar Energy Generating System Incentive Program

The Brighter Tomorrow Act of 2024 (Chapter 595) requires PSC to establish a Small Solar Energy Generating System Incentive Program and begin determining eligibility by January 1, 2025. Under the program, a solar energy generating system that meets specified requirements and is certified by PSC generates certified solar renewable energy credits (SRECs), which have a compliance value of 150%, for electricity suppliers to put toward meeting the solar carve-out for the State Renewable Energy Portfolio Standard (RPS). The total amount of in-state generating capacity for certified systems under the program may not exceed (1) 300 megawatts for systems with a generating capacity of less than 20 kilowatts and (2) 270 megawatts for systems with a generating capacity between 20 kilowatts and 5 megawatts.

To be eligible for certification, a solar energy generating system must:

- be located in the State;
- be eligible for inclusion in meeting the State RPS;
- have a generating capacity of no more than 5 megawatts;
- be placed in service between July 1, 2024, and January 1, 2028, inclusive; and
- be a system with a generating capacity of (1) no more than 20 kilowatts; (2) no more than 2 megawatts, if the system is used for aggregate net metering; or (3) between 20 kilowatts and 5 megawatts, if the system is located on a rooftop, a parking canopy, or a brownfield.

The Act specifies the process for the owner of a solar energy generating system to apply to PSC for certification under the program. At the time of certification, the owner must pay PSC a one-time per-system fee of up to $50, or up to $200, depending on the system size. PSC must use the fees to pay for costs associated with administering the program.

A certified system must continue to be eligible to generate certified SRECs for 15 years after the date of certification by PSC, or January 1, 2025, whichever is later, after which the system is eligible to generate noncertified SRECs as long as the system meets the requirements as a Tier 1 renewable resource. An electricity supplier may apply certified SRECs toward RPS compliance starting with the 2025 compliance year.

Specified Nonresidential Solar Systems Exempt from Valuation or State or Local Property Taxes

Under § 7-249 of the Tax-Property Article, specified nonresidential solar energy generating systems that are constructed on the rooftops of buildings or on parking facility canopies are not subject to valuation or to State or local property taxes. The exemption applies only to a system approved by PSC for a Certificate of Public Convenience and Necessity (CPCN) or CPCN exemption on or after July 1, 2024.

Other Solar Incentives

State law establishes multiple incentives for solar energy generating systems of different types, sizes, and locations. For an overview of notable incentives, see the **Appendix – Incentives for Solar Energy Generating Systems**.

Brownfields

Under § 7-207 of the Public Utilities Article, "brownfields site" means (1) a former industrial or commercial site identified by federal or State laws or regulation as contaminated or polluted; (2) a closed landfill regulated by MDE; or (3) mined land.

Approvals Generally Required for Projects in Wetlands

Wetlands in the State are protected, and the Wetlands and Waterways Program within the MDE administers a statewide program for the management, conservation, and protection of Maryland's tidal wetlands and nontidal wetlands and waterways. Generally, a person must obtain a permit or license before working in wetlands in the State.

State Fiscal Effect: PSC, SDAT, and MDE can handle the bill's requirements with existing budgeted resources. PSC has not received a CPCN application for a floating solar energy generating system, though the commission is aware of the technology being implemented in other states; allowing such systems to be eligible to generate certified SRECs has no material effect on State finances. MDE advises that the approval process for a floating solar energy generating system would have an operational impact on its Water and Science Administration, which can be handled with existing staff. Such systems may be allowable in nontidal areas on a case-by-case basis, subject to various review considerations. Any resulting fiscal effect is likely minimal.

Annuity Bond Fund

The bill expands an existing State and local property tax exemption for nonresidential solar energy generating systems approved by PSC for a CPCN or CPCN exemption on or after

July 1, 2024, to include systems constructed on brownfields, or that are floating systems. "Brownfield" for purposes of the exemption includes specified contaminated or polluted sites, a closed landfill, or mined land.

Accordingly, ABF revenues may decrease, beginning as early as fiscal 2026, from reduced real property tax revenues. The amount of revenue loss is unknown, but based on initial information from SDAT, likely modest. For context, the 2024 *Maryland Landfill Solar Assessment*, conducted by the Maryland Energy Administration in partnership with the Maryland Environmental Service, identifies 45 landfills (27 closed), 4 brownfields, 5 rubble fills, and 2 superfund sites, as those terms are used in the report, as suitable for solar development and recommends a total of 7 sites as most suitable.

Debt service payments on the State's GO bonds are paid from the ABF. Revenue sources for the fund include State property taxes; premium from bond sales; and repayments from certain State agencies, subdivisions, and private organizations. General funds may be appropriated directly to the ABF to make up any differences between the debt service payments and funds available from property taxes and other sources. To offset the reduction in State property tax revenues, general fund expenditures could increase in an amount equal to the decrease in ABF revenues, or the State property tax rate would have to be increased in order to meet debt service payments. This assumes that the ABF does not have an adequate fund balance to cover the reduction in State property tax revenues.

Local Revenues: The bill expands an existing State and local property tax exemption for nonresidential solar energy generating systems approved by PSC for a CPCN or CPCN exemption on or after July 1, 2024, to include systems constructed on brownfields, or that are floating systems. "Brownfield" for purposes of the exemption includes specified contaminated or polluted sites, a closed landfill, or mined land. Accordingly, local revenues decrease, potentially significantly, beginning as early as fiscal 2026 from reduced real and personal property tax revenues associated with any new solar development on affected sites. The amount of revenue loss for a particular local government is unknown.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Public Service Commission; Department of Commerce; Maryland Department of the Environment; Maryland Energy Administration; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2025
km/lgc

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Appendix – Incentives for Solar Energy Generating Systems

State law establishes multiple incentives for solar energy generating systems of different types, sizes, and locations. The following is an overview of notable State incentives, which may be combined, depending on the specifics of a particular solar energy generating system.

Production Incentives

Net Metering

Under § 7-306 of the Public Utilities Article, the Public Service Commission (PSC) must require electric companies to develop and make net metering tariffs available to eligible customer-generators. Net metering is the measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by the customer and fed back to the grid over the customer's billing period. Under net metering, the customer pays only for energy used, netted against energy generated, plus the fixed monthly customer charge. In the event that more energy is generated than used, the electric company must pay the customer the value of the difference, subject to specified requirements. Generally, net excess generation payments are made annually, although certain customers may instead choose to accrue net excess generation indefinitely.

Generally, the generating capacity of an eligible customer-generator for net metering may be up to 2 megawatts, although there are exceptions allowing for larger capacities, including for community solar. Community solar systems are those that meet specified requirements, have multiple subscribers, and engage in virtual net metering.

There are multiple eligible energy sources for net metering, although most of the installed capacity is solar. The statewide capacity limit is 3,000 megawatts.

Renewable Energy Portfolio Standard

Under Title 7, Subtitle 7 of the Public Utilities Article, which establishes the State Renewable Energy Portfolio Standard (RPS), utilities and other competitive energy suppliers must submit renewable energy credits (RECs) equal to a percentage of their retail electricity sales specified in statute each year or else pay an alternative compliance payment (ACP) equivalent to their shortfall. Generally, an REC is a tradable commodity equal to one megawatt-hour of electricity generated or obtained from a renewable energy generation source. In program compliance year 2025, RPS percentage requirements include 7.0% from solar, which must be connected to the electric distribution grid serving Maryland.

Under § 7-709.1 of the Public Utilities Article, PSC must establish a Small Solar Energy Generating System Incentive Program and begin determining eligibility by January 1, 2025. Under the program, a solar energy generating system that meets specified requirements and is certified by PSC generates certified solar RECs, which have an RPS compliance value of 150%, for 15 years. In addition to other requirements, an eligible system must be placed in service between July 1, 2024, and January 1, 2028, inclusive.

Grant and Loan Incentives

Under § 9-20B-05 of the State Government Article, the Maryland Energy Administration (MEA) must administer the Strategic Energy Investment Fund (SEIF). Among other revenue sources, SEIF receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI) and ACP revenues through the State RPS. RGGI-sourced funding is allocated through a statutory formula that provides significant annual funding for clean energy programs and initiatives, in addition to other purposes. In practice, MEA offers a variety of residential and commercial grants and rebates for different types of solar installations. Solar ACP revenues must be used make grants and loans to support the creation of new solar energy sources in the State that are owned by or directly benefit low- to-moderate income communities, overburdened or underserved communities, or households with low- to-moderate income.

Tax Incentives

Solar Energy Property Generally Not Subject to State or Local Real Property Tax

Under § 7-242 of the Tax-Property Article, solar energy property is generally not subject to State or local real property tax. “Solar energy property” means equipment that is installed to use solar energy or solar thermal electric energy to generate electricity to be used in a structure or supplied to the electric grid or provide hot water for use in a structure.

Specified Nonresidential Solar Systems Exempt from Valuation or State or Local Property Taxes

Under § 7-249 of the Tax-Property Article, specified nonresidential solar energy generating systems that are constructed on the rooftops of buildings or on parking facility canopies are not subject to valuation or to State or local property taxes. The exemption applies only to a system approved by PSC for a Certificate of Public Convenience and Necessity (CPCN) or CPCN exemption on or after July 1, 2024.

Community Solar Personal Property Tax Exemption

Under § 7-237 of the Tax-Property Article, a community solar energy generating system with up to 5 megawatts of capacity that meets specified requirements is exempt from the county and municipal personal property tax through the life cycle of the system. To be eligible, a system must (1) be placed in service after June 30, 2022, and be approved by PSC by December 31, 2030; (2) provide at least 50% of the energy produced to low- to moderate-income customers at reduced prices, as specified; and (3) be used for agrivoltaics or be installed on a rooftop, brownfield, parking facility canopy, landfill, or clean fill.

Community Solar Real Property Tax Credit

Under § 9-111 of the Tax-Property Article, the State and local governments must grant a 50% property tax credit for a brownfield, landfill, or clean fill on which a specified community solar energy generating system is installed.

Optional Local Property Tax Credit for Solar Energy Devices

Under § 9-203 of the Tax-Property Article, counties and municipalities are authorized to grant tax credits against county or municipal property taxes for the use of a solar energy, geothermal energy, or qualifying energy conservation device in a structure for the purposes of heating and cooling, electricity generation, or the provision of hot water. Local governments may establish related definitions in determining eligibility for the credit.

Optional Local Real Property Assessment Reduction for Certain Parking Canopies

Under § 7-250 of the Tax-Property Article, the governing body of a county or municipality may reduce or eliminate, by law, the percentage of the assessment of any real property that is subject to the county or municipal property tax if the real property includes a parking facility on which a solar energy generating system has been constructed on its canopy. These provisions apply only to real property that includes a parking facility on which a system has been approved by PSC for a CPCN or CPCN exemption on or after July 1, 2024.

Sales and Use Tax Exemptions

Under § 11-230 of the Tax-General Article, the sales and use tax does not apply to the sale of solar energy equipment, which is defined as equipment that uses solar energy to heat or cool a structure, generate electricity to be used in a structure or supplied to the electric grid, or provide hot water for use in a structure.

Under § 11-207 of the Tax-General Article, the sales and use tax does not apply to the sale of electricity generated by solar energy equipment for use in residential property owned by an eligible customer-generator under the State's net metering law.