

receive the 50% allowance for State and local tax purposes, although we view this as unlikely; (3) that domestic utilities would also receive the 50% allowance, and (4) that, for purposes of equalization and State aid formulas, the personal property of utilities would be valued at 50%."

The Attorney General believes that the most likely interpretation would be that this property would be assessed at 50% of current value for State tax purposes only, although he was unable to rule out entirely the possibility of the same reduced assessment being applied to local taxation. If restricted to State taxation, based on the 1978 tax base, the State would lose \$3,948,000 in property taxes, all of which support the State's bonded indebtedness. The counties and Baltimore City would, in addition, lose 11/23 of that amount, or nearly \$2,000,000, in the State grant provided for in section 12H of Article 81. If the lower assessment is applicable to local taxation, the subdivisions would suffer a loss in revenue of over \$31 million, according to the Department of Budget and Fiscal Planning.

Neither the State, to the extent of the \$3.9 million, nor the subdivisions, whether the effect is \$2,000,000 or \$31,000,000, can truly afford this loss in revenue. The subdivisions, or at least some of them, may be called upon either to raise their tax rates in order to recoup the loss or to reduce services. Conversely, this class of taxpayer - the railroads, utilities, and contract carriers - would receive an inordinate and clearly unintended tax reduction.

I veto this bill reluctantly and regretfully, because I know how hard the General Assembly struggled to produce some relief from the increasing burden of property taxes. However, I must deal with the bill as it was enacted, with the error in it, and with the knowledge that that error could have the effect of providing a substantial benefit to a class of taxpayer least in need of such a benefit, at the same time risking the loss of considerable anticipated revenues to the State and its subdivisions. Fortunately, a major part of the bill will be implemented through House Bill 1389.

For these reasons, I have vetoed Senate Bill 621.

Sincerely,
 : Marvin Mandel
 Governor
