

January 26, 2021

TESTIMONY OF DELEGATE MICHELLE GUYTON REQUESTING  
A FAVORABLE REPORT ON HOUSE BILL 474  
INCOME TAX CREDIT- WINERIES AND VINEYARDS- SUNSET  
EXTENSION

Madame Chair and members of the Committee, I am here today to present House Bill 474 which extends an existing tax credit to Maryland's wineries and vineyards. This credit has been in existence since 2012 and has been highly successful in assisting this small but important industry to make the continuing capital investments it needs to grow and expand.

Why is such a small industry important enough to have its own tax credit? First, it's about our state's image. Almost every item of government funded marketing about Maryland uses our wine and our wineries as part of its promotion. Whether its campaigns aimed at bringing visitors in from out of state or in-state materials encouraging Marylanders to explore parts of our state that they did not know about, Maryland wine and wineries are always prominently displayed.

Second, this credit promotes Maryland's public policy goal of preserving working agricultural lands. My district has some of the most productive farmland in Maryland. There is constant threat of losing those lands to other kinds of uses because of the difficulty farmers have keeping up with global competition. Encouraging farms to switch from commodities like grain to value added products like wine allows them to increase profit margins and stay in farming. On many farms, the vineyard and wine making operation only occupies a portion of the farm. But it makes the revenue that allows the rest of the farm's acreage to stay agricultural.

Third, it's about supporting the sustainability of having local products bought and consumed locally. The overwhelming majority of a winery's production in Maryland is sold at the winery or bought within 5 miles of the winery location. This Maryland tax credit benefits local citizens and is not used by an international industry marketing products worldwide.

House Bill 474 does not expand or change the current tax credit program. Since 2012, the program has provided income tax credits to businesses that incur qualified capital expenses. These expenditures are in connection with establishing of new wineries or vineyards or capital improvements at existing wineries or vineyards in Maryland.

The credit only applies to 25% of the eligible capital expenditures made in connection with the establishing new wineries or vineyards or making improvements existing wineries or vineyards. There is a statewide annual limit of \$500,000 for all businesses that apply.

The credit was initiated to replicate a similar credit that is given by Virginia.

Since the tax credit was initiated, sales of Maryland wine have grown by over 100,000 gallons.

The credit is well used. In 2019 alone, the Department of Commerce approved over \$1.9 million dollars of capital expenditures at 31 wineries, awarding just under the \$500,000 cap in credits. In

many years, the credit has been oversubscribed, reducing the amount given to each winery to stay under the statewide cap.

As you will hear from the witnesses that are coming after me in support of this extension, the credit has been very valuable and has helped our wineries grow and incidentally collect more sales tax and pay more excise taxes as a result.

For these reasons, I have introduced House Bill 474 to extend this credit and help keep Maryland's wineries growing and thriving.

I hope you agree with me that this credit has performed admirably and should be extended for the next five years.