



January 26, 2021

BILL HB 494

NUMBER:

TITLE: Income Tax Credit-Wineries and Vineyards- Sunset Extension

COMMITTEE: House Ways and Means Committee

DATE: January 28, 2021

Contact: Patrick Roddy, Esq.

FOR: Maryland Wineries Association

Madame Chair and members of the Committee, my name is Patrick Roddy and I am here today in my capacity as outside counsel to the Maryland Wineries Association (“MWA”). The Maryland Wineries Association **in support of House Bill 494**.

The Maryland Wineries and Vineyards Tax Credit program was enacted in 2012 for qualified capital expenses related to a Maryland winery or vineyard. The program provides income tax credits to businesses that incur qualified capital expenses made in connection with the establishment of new wineries or vineyards, or the capital improvements made to existing wineries or vineyards in Maryland.

The business may apply for tax credit in an amount equal to but not more than 25% of incurred costs. The credit is equal to 25 percent of qualified capital expenses made in connection with the establishment of new wineries or vineyards, or capital improvements made to existing wineries or vineyards in Maryland.

There is a 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 in 2013 sales of Maryland wine have grown by over 100,000 gallons.

I think it important of the Committee to understand some of the tax implications of that increase.

MARYLAND WINERIES ASSOCIATION
Representing Maryland's Wine Industry Since 1984

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At existing tax rates, an increase of 100,000 gallons of domestically produced wine creates annually an estimated \$675,000 in sales tax revenue (at an average cost of \$15 for a standard 750ml bottle) and \$40,000 in excise tax revenue. This is in addition to the employment created. In 2016, the Department of Commerce estimated that the credit contributed to retaining of over 400 jobs in grape growing and wine making and actually created another 46 new jobs beginning in 2013. Because of the statewide cap of \$500,000, the state's annual commitment through this tax credit remains the same even as these tax revenues and jobs grow in the future.

The credit has been highly efficient. In most years since its inception, the credit has been oversubscribed, causing each applicant to receive less than what they were eligible for. Usually 30-35 wineries out of over 100 apply and receive the credit.

The credit has been highly successful and has been a significant marketing point for MWA in reaching out and assisting new wineries. It also encourages existing wineries to improve and expand. This credit will be of a crucial part of that effort.

In summary The Maryland Wineries Association supports House Bill 474 and asks the Committee for a **favorable report**.