
TESTIMONY

TO: CHAIR VANESSA ATTERBEARY,
WAYS AND MEANS COMMITTEE

FROM: TOM CROGHAN
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FOUNDING CHAIR, DO YOUR PART INITIATIVE

SUBJECT: OPPOSITION TO HB0997

DATE: FEBRUARY 15, 2025

Situation. HB0997 proposes a 3% admissions and amusement tax on foods and beverages served for on-premise consumption at various venues. While the text is unclear, one interpretation includes food and beverages served during agrotourism activities. This memo examines the effects of imposing this tax on agrotourism, farms, and the future of food security in the State.

Background. Maryland faces an extraordinary budget deficit and is appropriately examining new sources of revenue. The Governor's proposed budget raises income tax rates on high-income earners, lowers them on lower and middle-income earners, and leaves sales taxes alone. The proposed modifications to the admissions and amusement tax fall outside these taxes.

Admission and amusement taxes are charged when an event or activity charges an admission fee. HB0997 proposes to levy an additional 3% tax on gross receipts from food and beverages purchased when facilities are available for on-premise consumption.

Analysis. An example will help clarify my concern. My granddaughter and I go to an apple orchard every fall, picking and purchasing several bushels to take home. We also purchase other fruits and vegetables. The facility includes several amusements, such as hayrides and a haunted house, for which there is an admission fee. It also prepares apple fritters and cider for on-site consumption at its picnic tables. A reasonable interpretation of HB0997 suggests that the new tax would apply to all our purchases, including the apples and vegetables we buy for off-premise consumption. Additional taxes related to agrotourism and value-added production would be unfair to producers and consumers and further threaten Maryland's fragile food system.

Maryland's food system is extraordinarily fragile.

- According to the UN's Food and Agriculture Organization, the Intergovernmental Panel on Climate Change, and the National Climate Assessment, the loss of biodiversity, chemical and plastic pollution, and extreme weather and warming threaten to collapse the food system by mid-century.
- Maryland raises a pound of chicken for every resident; this production is now threatened by bird flu. 70% of the State's cropland supports the chicken industry.

- More than 95% of the fruits, vegetables, and nuts consumed here are grown in the deserts of California, Arizona, Mexico, and Chile, regions with declining water availability, excessive heat, and wildfires.
- The Panama Canal, the chief shipping lane for this produce, is increasingly restricted by limited water to operate the canal's gates.
- Many Marylanders already face food insecurity. Many more would starve if the food system collapsed.
- The Administration has failed to take decisive action to address these threats.
- Robust, decentralized, local food production is essential to avoid this worst-case scenario.
- Even if this scenario does not occur, a strong local food system would provide healthier, more nutritious food with significant benefits for health and wellbeing.

Agriculture is risky, especially for families living and working on small farms.

- Most farms in the United States [report losses](#) each year.
- Agriculture faces enormous weather-related challenges and requires significant capital investment.
- The proposed tax will disproportionately affect these low-revenue operations, contrary to Governor Moore's appeal to lower taxes on this population segment.

To overcome these challenges, many Maryland farms sell their products directly to consumers at agrotourism events.

- Agrotourism eliminates middlemen and reduces overhead expenses.
- These events also create community and loyalty for local products.
- They bring Marylanders closer to the natural world.
- They provide consumers with recreation and joy.

Many "value-added" farm products are sold at agrotourism events.

- Value-added products are made from raw materials grown on the farm. Examples include organic vegetables and fruits, making ice cream from milk, and producing cider from apples.
- Encouraging [value-added production](#) represents a cost-effective investment in a better future. Producers receive [less than eight cents](#) of every dollar spent on food. [Capturing more value](#) from their agricultural products by processing and selling them directly to consumers can mean the difference between financial stability and selling the farm.

Maryland has imposed new taxes on value-added producers who sell directly to consumers over the last 15 years.

- In 2011, the State raised the sales tax on alcoholic beverages by 50%, resulting in a marked reduction in demand for locally produced products.
- In 2018, the State Department of Assessment and Taxation modified its assessment of improvements on Maryland farms, imposing extraordinary increases in property taxes, some as high as 2100%, reducing net farm income by an estimated \$300,000,000 (see 2024 Fiscal Note attached to SB869). Other forms of development have undoubtedly replaced Maryland farms as a result.

Recommendations. For most of Earth's living creatures, life is a Sisyphean struggle to find food and shelter. For the past 10,000 years, humans have largely escaped this unfortunate condition. Maryland should encourage robust production of healthy foods (fruits, nuts, and vegetables) to avoid returning to it.

Regrettably, the State has increased taxes on producers in the recent past. Now, HB0997 proposes a new tax on them, inching the state even closer to a looming cataclysm.

I ask that you oppose HB0997.