

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 594

(Senator Guzzone)

Budget and Taxation

Appropriations

Winery and Vineyard Economic Development Grant Program

This bill establishes the Winery and Vineyard Economic Development Grant Program in the Department of Commerce. The purpose of the program is to provide financial assistance to individuals and corporations to establish a new winery or vineyard in the State or complete capital improvements at an existing winery or vineyard. For each fiscal year, the Governor must include in the annual budget bill an appropriation of at least \$1.0 million to Commerce to award grants under the program. **The bill takes effect June 1, 2022.**

Fiscal Summary

State Effect: No effect in FY 2022. General fund expenditures increase by at least \$1.0 million annually beginning in FY 2023 for grant funding, though FY 2023 funding is not mandated. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2024.**

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	1.0	1.0	1.0	1.0
Net Effect	\$0.0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Commerce must provide a grant to an individual or corporation for 25% of “qualified capital expenses” (as defined in the bill) made to either establish a new winery or vineyard or make capital improvements to an existing winery or a vineyard in the State.

“Vineyard” means agricultural lands located in the State consisting of at least one contiguous acre dedicated to the growing of grapes that are used or intended to be used in the production of wine by a winery as well as any plants or other improvements located thereon. “Winery” means an establishment or location identified in a Class 3 winery license or a Class 4 limited winery license issued by the Alcohol and Tobacco Commission.

The bill establishes the application and approval process for awarding grants. Commerce must adopt regulations to implement the bill and specify criteria and procedures for application for, approval of, and monitoring continuing eligibility for the grants. The amount of grants annually approved by Commerce may not exceed the total appropriation for the program for that fiscal year.

Current Law:

Winery Tax Credit

Chapter 659 of 2013 created a nonrefundable tax credit against the State income tax for 25% of qualified capital expenses made to either establish a new winery or vineyard or make capital improvements to an existing winery or a vineyard in the State. Any unused amount of the credit can be carried forward for 15 tax years.

Commerce administered the credit and was authorized to award a maximum of \$500,000 in credits annually. The program terminated June 30, 2021.

Maryland Wine and Grape Promotion Fund

The Maryland Wine and Grape Promotion Fund is a special fund in the Maryland Department of Agriculture (MDA). The purpose of the fund is to provide grants to nongovernmental organizations and to conduct other activities for the purpose of promoting (1) the production and consumption of Maryland wine in the State and (2) the production of grapes in the State. The fund receives alcoholic beverage tax revenues from wine produced at licensed wineries in the State.

MDA is authorized to deduct up to 2% of proceeds paid into the fund for administrative purposes. The fund may only be used for the following purposes related to the production and consumption of Maryland wine and production of grapes in the State: (1) grants;

(2) marketing; (3) research; (4) advertising; (5) retailer promotions; (6) festival promotions; and (7) educational seminars.

Maryland Agricultural and Resource-Based Industry Development Corporation

The General Assembly established the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) in 2004 as a public corporation to assist the State's farm, forestry, and seafood businesses by providing targeted business assistance services. The corporation is authorized to develop agricultural industries and markets, support the commercialization of agricultural processes and technology, assist with rural land preservation efforts, and alleviate the shortage of nontraditional capital and credit available at affordable interest rates for investment in agricultural and resource-based businesses. The corporation administers several loan and grant programs to support these activities.

MARBIDCO provides a Maryland Vineyard/Hopyard/Orchard Planting Loan Fund to eligible vineyards for the installation of new vineyards, tree fruit orchards, or hopyards, including prepping of land for plant installation, purchase of vines or tress, and equipment or supplies. The purchase of tractors, pick-up trucks, and wine-making equipment are not eligible for financing under this particular program, but are eligible for financing under other MARBIDCO programs, including the Maryland Resource-Based Industry Financing Fund Loan and the Rural Business Equipment and Working Capital Loan Fund.

State Expenditures: General fund expenditures increase by at least \$1.0 million annually beginning in fiscal 2024, reflecting the minimum level of funding mandated by the bill. Funding in fiscal 2023 is discretionary, and this analysis assumes a one-month implementation delay from the bill's June 1, 2022 effective date.

Commerce's existing staff can administer the grant program. Commerce notes it is unlikely that the grant program will be fully subscribed. In the last eight years of administering the Wineries and Vineyards Tax Credit, the program had an average of 36 participating businesses, which incurred an average annual capital expense of \$2.3 million. This resulted in an annual tax credit of approximately \$572,000. While the program established by the bill is not anticipated to be fully subscribed, the bill requires at least \$1.0 million to be appropriated annually to the program beginning in fiscal 2024. To the extent the demand for grants in fiscal 2023 (when funding is discretionary) is insufficient to provide \$1.0 million in grants, the impact in fiscal 2023 may be less.

Small Business Effect: Small businesses that are wineries with qualified capital expenses benefit from receiving grants of up to 25% of qualified capital expenses.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1388 (Delegate Guyton) - Appropriations.

Information Source(s): Department of Commerce; Alcohol and Tobacco Commission; Maryland Department of Agriculture; Maryland Agricultural and Resource-Based Industry Development Corporation; Department of Budget and Management; Department of Legislative Services

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