

Support of SB 534 - Income Tax Credit - Wineries a

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Maryland Farm Bureau, Inc.

3358 Davidsonville Road • Davidsonville, MD 21035 • (410) 922-3426

February 3, 2021

To: Senate Budget & Taxation Committee

From: Maryland Farm Bureau, Inc.

Re: **Support of SB 534 - Income Tax Credit - Wineries and Vineyards - Sunset Extension**

On behalf of our member families, I submit this written testimony in support of SB 534, legislation that extends the state income tax credit on expenses related to wineries and vineyards in Maryland to June 30, 2026. Current law has the tax credit sunseting June 30, 2021.

This tax credit has been very helpful to build the winery industry in Maryland, but it is still small in size and needs to continue to grow to make sure the industry survives and the services that supply this industry survive.

MARYLAND FARM BUREAU SUPPORTS SB 534 AND ENCOURAGE A FAVORABLE REPORT

A handwritten signature in black ink, appearing to read 'Colby Ferguson'.

Colby Ferguson
Director of Government Relations

For more information contact Colby Ferguson at (240) 578-0396

Senate Bill 534 – Income Tax Credit – Wineries and

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John Hartline, Chairman

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Charlotte Davis, Executive Director

Testimony in Support of
Senate Bill 534– Income Tax Credit – Wineries and Vineyards – Sunset Extension
Before Budget and Taxation
February 03, 2021

The Rural Maryland Council **Supports** Senate Bill 534– Income Tax Credit – Wineries and Vineyards – Sunset Extension. SB534 would extend the current termination date for a credit against the State income tax for certain expenses related to wineries and vineyards from June 30, 2021 to June 30, 2026.

According to the 2020 Grow & Fortify publication, *Value-Added Agriculture in Maryland-An Economic Analysis*, in 2019, there were 105 licensed wineries in Maryland, working over 638 acres. The 2018 total value-added impact is estimated to be over \$200 million, supporting over 2,000 jobs and adding over \$10 million in combined state and tax revenue. Wineries are also contributing to an increase in tourism in the state, with 167,000 visitors annually, creating more than \$2.65 billion in total economic impact. This is helpful to areas such as Western MD that rely heavily on tourism, with western region wineries contributing \$71 million to the state economy in 2018, just behind the State’s central region, which contributed \$95 Million.

Wineries are a growing and thriving business in the State’s rural areas-creating jobs, fostering regional development, and contributing to the state economy. The Rural Maryland Council respectfully requests your favorable report on Senate Bill 534.

The Rural Maryland Council (RMC) is an independent state agency governed by a nonpartisan, 40-member board that consists of inclusive representation from the federal, state, regional, county and municipal governments, as well as the for-profit and nonprofit sectors. We bring together federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to identify challenges unique to rural communities and to craft public policy, programmatic or regulatory solutions.

“A Collective Voice for Rural Maryland”

21-SB534-MWA testimony-02-3-21.pdf

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BILL SB 534
NUMBER:
TITLE: Income Tax Credit-Wineries and Vineyards- Sunset Extension
COMMITTEE: Senate Budget and Tax Committee
DATE: February 3, 2021
CONTACT: Patrick Roddy, Esq.
FOR: Maryland Wineries Association

Mr. Chairman 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 Senate Bill 534**

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. 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 Senate Bill 534 and asks the Committee for a **favorable report**.