

Support of HB 474 - Income Tax Credit - Wineries a

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Position: FAV



Maryland Farm Bureau, Inc.

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

January 28, 2021

To: House Ways & Means Committee

From: Maryland Farm Bureau, Inc.

Re: **Support of HB 474 - Income Tax Credit - Wineries and Vineyards - Sunset Extension**

On behalf of our member families, I submit this written testimony in support of HB 474, 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 HB 474 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

HB 474 - Guyton - Favorable.pdf

Uploaded by: Guyton, Michele

Position: FAV

MICHELE GUYTON
Legislative District 42B
Baltimore County

Ways and Means Committee

Education Subcommittee

Finance Resources Subcommittee



The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

January 28, 2021

**SUPPORT HB474 INCOME TAX CREDIT- WINERIES AND VINEYARDS-
SUNSET EXTENSION**

Dear Madame Chair and members of the Ways and Means Committee, I am here today to present HB 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.

This credit supports Maryland's public policy goals of preserving working agricultural lands and supporting the sustainability of agricultural tourism in the State. 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.

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 and since its initiation, sales of Maryland wine have grown by over 100,000 gallons. In 2019, 31 wineries were approved for this credit.

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

Sincerely,
Delegate Michele Guyton

House Bill 0474– Income Tax Credit – Wineries and

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John Hartline, Chairman

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Charlotte Davis, Executive Director

Testimony in Support of
House Bill 474– Income Tax Credit – Wineries and Vineyards – Sunset Extension
Before Ways and Means Committee
January 28, 2021

The Rural Maryland Council **Supports** House Bill 474– Income Tax Credit – Wineries and Vineyards – Sunset Extension. HB474 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 House Bill 474.

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-HB474-Guyton testimony 01-28-21.pdf

Uploaded by: Roddy, Pat

Position: FAV

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.

21-HB494-MWA - FAV - testimony-01-28-21.pdf

Uploaded by: Roddy, Pat

Position: FAV



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**.