

Support of SB 800 - Sales and Use Tax - Electricit

Uploaded by: Colby Ferguson

Position: FAV



Maryland Farm Bureau, Inc.

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

March 9, 2022

To: Senate Budget & Taxation Committee

From: Maryland Farm Bureau, Inc.

Re: **Support of SB 800 - Sales and Use Tax - Electricity for Agricultural Purposes - Exemption**

On behalf of our Farm Bureau member families in Maryland, I submit this written testimony in support of SB 800. This bill adds electricity that is used for agricultural purposes such as raising livestock and poultry, irrigation, or crop production and grain harvest to the existing agricultural sales and use tax exemptions.

Currently, residential electric consumers are tax-exempt and so are manufacturing operations. Many farmers are on residential rates as the electric meter for the farm is also tied to their house. However, for those limited number of farms that have separate meters for barns and other ag uses, they are under the commercial electric rate. It is these farms that are also having sales and use tax added to their bill. This bill would exempt all farms from the sales and use tax not just the ones that have residential use meters.

MDFB Policy:

Maryland Farm Bureau supports the continued exemption of agricultural items and related services from the state sales tax.

MARYLAND FARM BUREAU SUPPORTS SB 800 & REQUESTS A FAVORABLE REPORT

Colby Ferguson
Director of Government Relations

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

SB800 - Sales and Use Tax - Electricity for Agricu

Uploaded by: Dakota Matthews

Position: FAV



John Hartline, Chair

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Charlotte Davis, Executive Director

Testimony in Support of
Senate Bill 800 - Sales and Use Tax - Electricity for Agricultural Purposes - Exemption
Senate Budget and Taxation Committee
March 09, 2022

The Rural Maryland Council supports Senate Bill 800 - Sales and Use Tax - Electricity for Agricultural Purposes – Exemption. This bill financially helps farmers by exempting sales and use tax for electricity used for agricultural purposes such as raising livestock or poultry, preparing, irrigating, or tending the soil, or planting, maintaining, or transporting seeds or crops.

Aside from the cost of farm equipment, the cost of labor and power account for the highest costs to farmers. By exempting electricity used for agricultural purposes, it will allow farms to be more financially viable. Certain agricultural purchases, such as equipment for raising livestock, soil irrigation, and plant service and harvest, are already exempt from sales and use taxes. It is important that farmers are financially viable for them to remain in the industry and to promote farming for future generations. The tax exemption will put more money back into the pockets of farmers instead of the cost of electricity to operate their farm. Increases to the cost of farm operations will result in higher costs of agricultural foods and products to the consumers.

University of Maryland Extension's publication *Understanding Farm Energy*, states that energy used to perform routine crop and livestock operations can cost a farmer several hundred or thousands of dollars each month, and that fuel and electricity used for operating equipment accounts for 15% of U.S. agricultural production costs. The publication also states rural transportation costs more because of the distance they must travel to the markets, meaning rural farmers are already paying additional costs to be able to sell the products they produce.

The Rural Maryland Council respectfully requests your favorable support of Senate Bill 800.

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"

2022 SB 800 Ag Exemption Sales and Use Tax.pdf

Uploaded by: Holly Porter

Position: FAV



Educate. Advocate. Innovate.

Date: March 8, 2022
To: Members of the Senate Budget & Taxation Committee
From: Holly Porter, Executive Director
Re: SB 800 –Sales & Use Tax – Electricity for Agricultural Purposes - Exemption - **SUPPORT**

Delmarva Chicken Association (DCA) the 1,600-member trade association representing the meat-chicken growers, processing companies and allied business members on the Eastern Shore of Maryland, the Eastern Shore of Virginia, and Delaware supports SB 800 and asks for a favorable position.

SB 800 would exempt sales and use tax of electricity when used to raise livestock or poultry, irrigate soil or for the production of seeds and crops.

For years, the state of Maryland has worked with the philosophy that food and manufacturing that is produced in the state should not be taxed. Farmers have sales and use exemptions for most inputs that are required to produce food, including livestock, bedding, seeds, fertilizers, fuel, equipment and other aspects.

But one of the greatest input costs to chicken growers is electricity, especially in the summer months. The average annual electric bill of just one chicken house is \$7,500. The average number of houses per farm in Maryland is four. That means an annual savings of nearly \$1,800 to a grower. These are savings that can be used for upgrades to the farm, the implementation of additional best management practices or simply paying for sports for the growers' children.

With inflation costs continuing to rise, now more than ever a sales exemption would be important. This exemption is no different than what's already available for residential customers or those who qualify for the exemption for utilities or fuel used in production activities of manufacturing.

DCA urges a **favorable** vote on SB 800.

Should you have any additional questions, please feel free to contact me at porter@dcachicken.com or 302-222-4069 or Nick Manis, Manis Canning & Associates, 410-263-7882.

testimony - electricity sales tax - Senate.pages.p

Uploaded by: Jane Seigler

Position: FAV



MARYLAND
HORSE
COUNCIL

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One Common Bond: The Horse
One Common Voice: The Horse Council

In the Senate Budget and Taxation Committee, March 9, 2022

Testimony of the Maryland Horse Council on SB 800

Sales and Use Tax - Electricity for Agricultural Purposes - Exemption - SUPPORT

The Maryland Horse Council (MHC) is a membership-based trade association that represents the state-wide horse industry in Maryland. Our members include horse farms; horse related businesses; equestrian competitors; trainers; individual enthusiasts; equine-assisted therapy programs; and breed, interest, and discipline associations. We represent over 30,000 Marylanders who make their living with horses, or who just own and love them.

MHC supports SB 800, which adds to the existing agricultural sales and use tax exemption electricity that is used for agricultural purposes, such as raising livestock and poultry, irrigation, or crop production and grain harvest.

Farms where there are separate meters for the house and for other buildings such as barns, equipment and/or hay storage sheds etc., currently pay sales and use tax on the electricity consumed through the non-residential meter. Where the entire farm is on a meter that serves the residence, however, there is no sales and use tax. This is an arbitrary and inequitable situation that in many cases arose from random decisions made at the time of the farm's creation or expansion.

The passage of SB 800 will rectify this arbitrary inequity by exempting from the sales and use tax electricity that is used for agricultural purposes, regardless of how it is metered.

We urge a favorable report for SB 800.

Respectfully submitted,

THE MARYLAND HORSE COUNCIL

(844) MDHORSE (844-634-6773), info@mdhorsecouncil.org

SB800 Sales and Use Tax - Electricity for Agricult

Uploaded by: Justin Hayes

Position: FAV



Peter Franchot
Comptroller

TESTIMONY OF COMPTROLLER PETER FRANCHOT

Support - Senate Bill 800 - Sales and Use Tax - Electricity for Agricultural Purposes - Exemption

*Budget and Tax Committee
March 9, 2022*

Chair Guzzone, Vice Chair Rosapepe and members of the Committee, it is my pleasure to provide testimony in **support** of **Senate Bill 800 - Sales and Use Tax - Electricity for Agricultural Purposes - Exemption**. I would like to thank Chairman Guzzone for sponsoring this important legislation, and the Committee for providing the opportunity for my testimony to be heard.

Farmers have faced numerous challenges during the pandemic including increasing production costs and significant shifts in demand. SB 800 would provide the agricultural industry with a sales and use tax exemption similar to that enjoyed by residential customers and the manufacturing industry that would help struggling farmers offset some of their rising operating costs.

Exempting sales tax on energy use by agriculture is a needed shot in the arm for our state's largest commercial industry, and the Comptroller's Office finds no issue with administering this exemption. For the reasons stated above, I respectfully request a favorable report for Senate Bill 800. Thank you for your time and consideration.

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FINAL - Support Letter SB0800.pdf

Uploaded by: Kim Mayhew

Position: FAV

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SUPPORT – Senate Bill 0800

SB0800 – Sales and Use Tax - Electricity for Agricultural Purposes - Exemption

Budget and Tax Committee

Wednesday, March 9, 2022

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 275,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington Counties). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, and Maryland.

Favorable

Potomac Edison supports Senate Bill 0800 – Sales and Use Tax - Electricity for Agricultural Purposes - Exemption.

SB-800 would exempt state sales and use tax on the sale of electricity used for agricultural purposes, such as raising livestock or poultry, preparing, irrigating, or tending the soil, or planting, maintaining, or transporting seeds or crops.

FirstEnergy requests a Favorable report on SB 0800 for the following reasons.

Residential customers and manufacturing operations in the state are currently exempt from paying sales and use tax on their electricity consumption. This exemption is adequate for smaller agricultural customers that have everything tied to their residential meter --- but it does not treat agricultural customers that have separate electric meters for their barns and other out-buildings equally. These “other” structures are considered commercial accounts, and because of that are subject to paying sales and use tax on electricity.

SB-800 would add to the existing agricultural sales and use tax exemption electricity that is used for agricultural purposes such as raising livestock and poultry, irrigation, or crop production and grain harvest. This exemption would put these agricultural customers on a level playing field with their counterparts. All farms would be exempt from the sales and use tax on electricity, not just the ones that have residential meters.

Potomac Edison strongly supports the viability of the agricultural sector in the state and believes this change that would help reduce their costs. The July 1, 2022, implementation date is achievable and should be nearly revenue-neutral for the utilities. SB-800 should result in lower costs for our farmers, without affecting the electric rates of our other customers in Maryland.

For the above reasons, Potomac Edison respectfully request a **Favorable** vote on Senate Bill 800.

SB800_LThompsonMGPA_favorable.pdf

Uploaded by: Lindsay Thompson

Position: FAV



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Date: March 9, 2022

Senate Bill 800 - Sales and Use Tax - Electricity for Agricultural Purposes - Exemption

Committee: Budget and Taxation

MGPA Position: **SUPPORT**

The Maryland Grain Producers Association serves as the voice of grain farmers growing corn, wheat, barley and sorghum across the state. On an annual basis, nearly a million acres of these crops are grown in Maryland.

Senate Bill 800 exempts the purchase of electricity by a farmer from the State sales and use tax, when used to (1) raise livestock or poultry; (2) prepare, irrigate, or tend the soil; or (3) plant, service, harvest, store, clean, dry, or transport seeds or crops.

This bill would be extremely beneficial to Maryland's grain farmers who use electric power on residential meters to irrigate, store, clean and dry their grain crops. Currently, some farms are on residential power meters while others are on commercial meters. This creates different rules for sales and use tax on the electricity for these farms. Also, agricultural inputs are exempt from the sales and use tax in Maryland. So, it makes sense that electricity used to produce food, fuel and fiber should also be exempt from sales and use tax.

As agricultural inputs and energy prices continues to rise, this bill would provide some relief to farmers who are currently paying sales and use tax on their farm electricity.

MGPA respectfully asks for a FAVORABLE report on Senate Bill 800.