

## **Support of HB 1002 - Sales and Use Tax - Electrici**

Uploaded by: Colby Ferguson

Position: FAV



# Maryland Farm Bureau, Inc.

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

March 2, 2022

To: House Ways & Means Committee

From: Maryland Farm Bureau, Inc.

Re: **Support of HB 1002 - 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 HB 1002. 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 HB 1002 & REQUESTS A FAVORABLE REPORT**

Colby Ferguson  
Director of Government Relations

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

# **HB1002 - Sales and Use Tax - Electricity for Agric**

Uploaded by: Dakota Matthews

Position: FAV



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*Charlotte Davis, Executive Director*

*John Hartline, Chair*

Testimony in Support of  
House Bill 1002 - Sales and Use Tax - Electricity for Agricultural Purposes - Exemption  
House Ways and Means Committee  
March 02, 2022

**The Rural Maryland Council supports House Bill 1002 - 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 House Bill 1002.

*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"**

## **HB1002 Sponsor Testimony.pdf**

Uploaded by: Eric Luedtke

Position: FAV

ERIC LUEDTKE  
Legislative District 14  
Montgomery County

MAJORITY LEADER

Ways and Means Committee

Chair, Revenues Subcommittee



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THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**SPONSOR TESTIMONY**

**House Bill 1002 - Sales and Use Tax - Electricity for Agricultural Purposes - Exemption**

Chair Atterbeary, Vice Chair Washington, Members of the Committee,

Maryland's agricultural industry is the beating heart of our state. Recognizing the importance of these producers, Maryland sales and use tax statute includes exemptions for the sale of livestock, feed or bedding for livestock, seed, fertilizer, fungicide, herbicide, insecticide, baler twine, and wire used for agricultural purposes. While the tax revenue generated from these products would be relatively small, the impact on farmers can have significant impacts on both their finances and our food supply.

However, these exemptions leave out a necessary cost of agricultural production: electricity. Many farms only have a single meter, meaning that the electricity used for both their homes and farms are designated as residential use and exempted from taxation. In these cases, a sales and use tax exemption for agricultural purposes is unnecessary since no electricity used at the farm is taxed. However, other farms have multiple meters, one for their home and one or more for agricultural purposes. The decision to have multiple meters was often made by simply determining the logistics of having both barns and farms on the same meter. Some barns are close enough to the residence that a single meter makes sense, while others are further on the property. But given our existing statute, these logistical decisions can have significant financial impacts.

House Bill 1002 seeks to address this by exempting electricity used for agricultural purposes including raising livestock and poultry, tending to soil, and planting, servicing, harvesting, storing, cleaning, drying, or transporting seeds. This will remove an unnecessary tax burden for some of our farms while providing tax equity in the industry.

I thank the Committee for your consideration of this proposal and respectfully request a favorable report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eric Luedtke".

Delegate Eric Luedtke

# **2022 HB 1002 Ag Exemption Sales and Use Tax.pdf**

Uploaded by: Holly Porter

Position: FAV





*Educate. Advocate. Innovate.*

Date: February 28, 2022  
To: Members of the House Ways & Means Committee  
From: Holly Porter, Executive Director  
Re: HB 1002 –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 HB 1002 and asks for a favorable position.

HB 1002 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 HB 1002.

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

# **testimony - electricity sales tax.pages.pdf**

Uploaded by: Jane Seigler

Position: FAV



MARYLAND  
**HORSE**  
COUNCIL

P.O. Box 606 | Lisbon, Maryland 21797  
[www.mdhorsecouncil.org](http://www.mdhorsecouncil.org)

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

In the House Ways and Means Committee, March 2, 2022

Testimony of the Maryland Horse Council on HB 1002

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

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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 HB 1002, 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 HB 1002 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 HB 1002.

Respectfully submitted,

**THE MARYLAND HORSE COUNCIL**

(844) MDHORSE (844-634-6773), [info@mdhorsecouncil.org](mailto:info@mdhorsecouncil.org)

# **FINAL - Support Letter HB1002[79].pdf**

Uploaded by: Kim Mayhew

Position: FAV

Timothy R. Troxell, CEcD  
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10802 Bower Avenue  
Williamsport, MD 21795

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**SUPPORT – House Bill 1002**

**HB1002 – Sales and Use Tax - Electricity for Agricultural Purposes - Exemption**

**Ways and Means Committee**

**Wednesday, March 2, 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 House Bill 1002 – Sales and Use Tax - Electricity for Agricultural Purposes - Exemption.**

HB 1002 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 HB 1002 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.

HB 1002 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. HB 1002 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 House Bill 1002.

# **HB1002RRHODES.pdf**

Uploaded by: Rachel Rhodes

Position: FAV

February 28, 2022

House Ways & Means Committee  
House Office Building  
Annapolis, MD 21401

**Re: HB 1002 – Sales and Use Tax-Electricity for Agricultural Purposes-Exemption**

Dear Committee Members:

We are contacting you in support of HB 1002 - Sales and Use Tax-Electricity for Agricultural Purposes-Exemption, legislation that provides an exemption from the sales and use tax for the sale of electricity used for agricultural purposes. If passed, this bill would allow farmers like ourselves in Maryland to operate our small businesses with an increased profit margin of roughly \$500 annually for our five chicken houses.

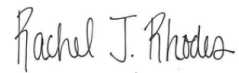
The cost of energy, like electricity, has increased rapidly, thus lowering our farm profits. Rising prices in the agriculture sector and Maryland's quickly evolving energy needs place undue burdens on family farmers.

Short Bio:

Rachel and Ryan Rhodes own and operate a family chicken farm in Centreville, MD in Queen Anne's County. They have two sons, Oliver and Henry, and they produce 570,000 organic broilers (chickens) annually. They also grow 45 acres of wheat, soybeans, and cover crops. Ryan has a BS in General Agriculture from the University of Maryland Eastern Shore. Rachel has a BS in Poultry Science from Delaware State University and a MS in Environmental Policy from Wesley College.

Again, we urge you to vote favorably to HB 1002.

Thank you!

A handwritten signature in cursive script that reads "Rachel J. Rhodes".

Ryan and Rachel Rhodes, Shore Pleasure Farm-Centreville, Maryland