

Support of SB 640 - 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, 2023

To: Senate Budget & Taxation Committee

From: Maryland Farm Bureau, Inc.

Re: **Support of SB 640 - Sales and Use Tax - Electricity for Agricultural Purposes**

On behalf of our Farm Bureau member families in Maryland, I submit this written testimony in support of SB 640. This bill 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.

Currently, only farms that all their electricity use is tied to the house meter is tax exempt. Electricity use from other farm meters is currently being taxed. This bill exempts these additional farm meters.

In addition to residential electricity not being taxed, manufacturing businesses are not taxed. This includes Perdue's processing plant. Agriculture has always been considered manufacturing, so exempting all farm electricity would be consistent with current law.

MDFB Policy: We support exempting electric use on farms from the sales and use tax.

MARYLAND FARM BUREAU SUPPORTS SB 640 & REQUESTS 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

SB 640- Sales and Use Tax Electricity for Agricultur

Uploaded by: Darrin Youker

Position: FAV



March 9, 2023

To: Senate Budget and Taxation Committee

From: Horizon Farm Credit

Bill: **SB 640 - Sales and Use Tax- Electricity for Agriculture Purposes**

Position: **SUPPORT**

Horizon Farm Credit is a member-owned cooperative supporting rural communities and agriculture with reliable, consistent credit and financial services throughout our five-state lending territory in good times and bad. With over \$6 billion dollars in loans outstanding to nearly 23,000 member-owners representing the full range of agriculture, we are one of the largest agricultural lenders on the East Coast.

Senate Bill 640 would provide important clarity and fairness related to the sales and use tax exemption for Maryland farmers. Currently, farmers who have all of their electricity tied to their residential meters are exempt from paying sales and use taxes on their electricity usage. However, if a farm has a separate meter for a poultry house or grain drying facility, for example, those farmers pay a 6 percent sales and use tax on their electricity. There are numerous instances where farmers use separate meters for portions of their farm operation. However, the taxation of that electricity usage runs counter to the state's broad approach that food and manufacturing produced in the state should not be subject to that tax.

Electricity costs, particularly related to animal agriculture, is one of the largest input costs that farmers face on an annual basis. In the summer, farmers spend considerable resources to cool poultry houses and dairy barns so that animals are raised in a safe and comfortable environment. For farmers who have separate meters for their barns or other structures, ensuring the sales and use tax exemption is applied would provide considerable savings that they can use to reinvest in their farms.

Senate Bill 640 would provide tax equity and reaffirm that electricity used in food production should not be subject to sales and use tax.

Horizon Farm Credit SUPPORTS SB 640.

For more information, please contact Darrin Youker at 717-634-0004 or dyouker@horizonfc.com.



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Horizon Farm Credit SUPPORTS SB 640.

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SB0640- Letter of Support - Senate - FINAL.pdf

Uploaded by: Grayson Middleton

Position: FAV



Educate. Advocate. Innovate.

Date: March 8, 2023
To: Members of the Senate Committee on Budget and Taxation
From: Holly Porter, Executive Director
Re: SB 0640 - Sales and Use Tax – Electricity for Agricultural Purposes – **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 640 and urges a favorable committee report.

This bipartisan legislation would exempt sales and use tax of electricity when used to raise livestock or poultry, irrigate soil, or when used in the production of seeds and crops.

For years, the state of Maryland has worked with the philosophy that food production in the state should not be taxed. Farmers have sales and use exemptions for most of their inputs, including livestock, bedding, seeds, fertilizers, fuel, equipment, and other tools of production. An agricultural exemption for electricity is also common, as most farms on a residential rate are already exempt from paying the sales and use tax. However, most chicken houses built after 2010 are on commercial electric, and due to this oversight, some farmers are unfairly taxed more than others. This legislation would put all farms under the same agricultural exemption.

Electric sales and use tax exemptions are common in other areas of production as well. Most manufacturers and processing facilities are exempt from paying this tax. This means that the plants who process and package the farmers livestock are exempt, but oftentimes the grower is not.

Although the potential fiscal impact of this legislation on the state is relatively small, the benefit to our farmers would be considerable. 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 this legislation could amount to an annual savings of nearly \$1,800 to the average grower on a commercial rate. These are savings that can be used for upgrades to the farm, the implementation of additional best management practices, or simply paying for their children's sports equipment.

As inflation and energy costs continue to rise, this electric sales and use tax exemption is more important than ever. It will benefit those who work hard every day to ensure we have food on the table, would correct an unfair oversight in tax law, and would rightly put farmers under the same umbrella as manufacturers and those that harvest their crop.

We urge a **favorable** vote on SB 640.



Educate. Advocate. Innovate.

Should you have any additional questions, please feel free to contact me at porter@dcachicken.com or 302-222-4069 or Grayson Middleton at middleton@dcahicken.com or 410-490-3329.

Sincerely,

A handwritten signature in black ink, appearing to read "Holly Porter".

Holly Porter
Executive Director

FINAL Support Letter SB 0640.pdf

Uploaded by: Kim Mayhew

Position: FAV

Timothy R. Troxell, CEcD
Advisor, Government Affairs
301-830-0121
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10802 Bower Avenue
Williamsport, MD 21795

SUPPORT – Senate Bill 0640

SB0640 – Sales and Use Tax - Electricity for Agricultural Purposes - Exemption

Budget and Taxation Committee

Wednesday, March 9, 2023

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 280,000 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, New York, West Virginia, and Maryland.

Favorable

Potomac Edison / FirstEnergy supports Senate Bill 0640 – Sales and Use Tax - Electricity for Agricultural Purposes – Exemption. SB-0640 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.

Potomac Edison / FirstEnergy requests a Favorable report on SB 0640 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 the electricity they consume.

SB-0640 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 would help reduce their costs. The July 1, 2023, implementation date is achievable, and the change should be nearly revenue-neutral for the utilities. SB-0640 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 / FirstEnergy respectfully request a **Favorable** vote on Senate Bill 0640.

SB640_LThompsonMGPA_favorable.pdf

Uploaded by: Lindsay Thompson

Position: FAV



Maryland Grain Producers Association
210 Fallen Horse Circle, Suite 100
Queenstown, MD 21658
Lindsay.mdag@gmail.com (p) 443-262-8491
www.marylandgrain.com

Date: March 9, 2023

Senate Bill 640 - Sales and Use Tax - Electricity for Agricultural Purposes - Exemption

Committee: Ways & Means

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 640 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.

One example of a farm with a grain drying facility on a commercial meter would save \$1,200 - \$1,600 per year based on their last 3 years of electricity bills.

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 House Bill 678.

Support- SB 640- Sales and Use Tax- Electricity fo

Uploaded by: Matthew Teffeu

Position: FAV



**Choptank Electric
Cooperative**
A Touchstone Energy
Cooperative

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March 9, 2023

The Honorable Guy Guzzone
3 West
Miller Senate Office Building

Re: *Support- SB 640- Sales and Use Tax- Electricity for Agricultural Purposes*

Dear Chairman Guzzone and Members of the Committee:

Founded in 1938, Choptank Electric Cooperative is a not-for-profit organization that exists to provide reliable and cost-effective electricity. This service improves the quality of life for our 55,188 member-owners.

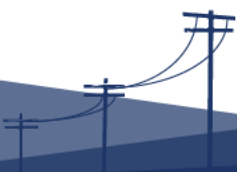
As a cooperative, Choptank Electric maintains a deep commitment to the communities it serves, which covers about two-thirds of Maryland's Eastern Shore. Economic development, especially in our rural areas, is necessary in providing additional resources to our schools and communities, and in improving the livelihood of all residents. Our agriculture members are part of the strong economic backbone of our cooperative and the Eastern Shore.

SB 640 seeks to bring economic vitality and clarity to our agriculture community. Placing small family-owned agricultural businesses on the same tax impartiality configuration as residential and manufacturing accounts, provides certainty and a cost-saving measure. **SB 640** will help ensure that our agriculture community continues to thrive, while also providing uniformity toward the distribution and taxation of energy to those who product food, fuel, and fiber in our state.

Choptank Electric Cooperative and its member-owners ask you to support **SB 640**.

Sincerely,

Matt Tefteau
Manager of Government Affairs and Economic Development
Choptank Electric Cooperative



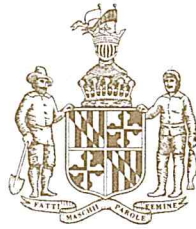
Members First. Every Day.

JacksonSB640Testimony2023.pdf

Uploaded by: Michael Jackson

Position: FAV

MICHAEL A. JACKSON
Legislative District 27
Calvert, Charles and
Prince George's Counties



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Budget and Taxation Committee

Subcommittees

Chair, Pensions

Public Safety, Transportation, and
Environment

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

District Office
250 Merrimac Court
Prince Frederick, Maryland 20678

TESTIMONY – SENATE BILL 640
SALES AND USE TAX –
ELECTRICITY FOR AGRICULTURAL PURPOSES – EXEMPTION
BUDGET & TAXATION COMMITTEE
MARCH 9, 2023

Chair Guzzone, Vice Chair Rosapepe and Fellow Committee Members:

Senate Bill 640 is a very straightforward bill that simply exempts electricity used for agricultural purposes from the state sales and use tax. This would include activities related to the raising of livestock, the preparation of soil, and planting servicing, harvesting, storing, cleaning, drying, and transportation of seeds and crops.

As we all know, Marylanders depend on our local farmers and the benefits of their labor. As times have progressed, the challenges of family farming have been exacerbated by a myriad of factors and this legislation would be a small step toward ensuring the success of generational farming in Maryland.

For the reasons listed above, I ask for a favorable report of Senate Bill 640.