



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**

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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.**

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