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SUPPORT – Senate Bill 0640

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

Budget and Taxation Committee

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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.