

# **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 30, 2023

To: House Ways & Means 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. However, as amended, the bill adds a 2-year sunset to the exemption so the legislature can more accurately assess the fiscal impact of the tax exemption since there are conflicting thoughts on how much tax reduction will happen.

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*

# **SB0640- Letter of Support - Ways and Means.pdf**

Uploaded by: Grayson Middleton

Position: FAV



*Educate. Advocate. Innovate.*

Date: March 28, 2023  
To: Members of the House Committee on Ways and Means  
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.

The two-year sunset amendment on this legislation will help better assess its fiscal impact. Although the fiscal note on this bill was greatly reduced, we still think it is too high. We believe that two years of actual data from the comptroller's office and the utility companies will reflect this, after which time we would like to see this legislation be made permanent.

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](mailto:porter@dcachicken.com) or 302-222-4069 or Grayson Middleton at [middleton@dcachicken.com](mailto:middleton@dcachicken.com) or 410-490-3329.

Sincerely,

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

Holly Porter  
Executive Director

# **testimony - electricity sales & use tax-Senate in**

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 & Means Committee,

Testimony of the Maryland Horse Council on SB 640, March 30, 2023

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

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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 SB 640, 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 /me of the farm's creation or expansion.

The passage of SB 640 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 640.

Respectfully submitted,

**THE MARYLAND HORSE COUNCIL**  
(844) MDHORSE (844-634-6773)  
info@mdhorsecouncil.org

**Final Support Letter amended SB 0640.pdf**

Uploaded by: Kim Mayhew

Position: FAV



Timothy R. Troxell, CEcD  
Advisor, Government Affairs  
301-830-0121  
ttroxell@firstenergycorp.com

10802 Bower Avenue  
Williamsport, MD 21795

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**SUPPORT – Senate Bill 0640**

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

**House Ways & Means Committee**

**Thursday, March 30, 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.

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

Uploaded by: Matthew Teffeu

Position: FAV



P.O. BOX 430, Denton, MD 21629  
Toll-Free: 1-877-892-0001  
Z\_info@choptankelectric.coop  
www.choptankelectric.coop

March 30, 2023

The Honorable Vanessa E. Atterbeary  
11 Bladen Street  
Annapolis, MD 21401

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

Dear Chairwoman Atterbeary 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.

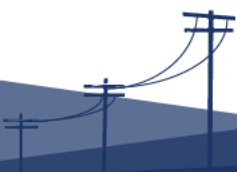
As a cooperative, Choptank Electric maintains a deep commitment to the communities it serves, which covers about two-thirds of Maryland's Eastern Shore. Economic development, especially in our rural areas, is necessary in providing additional resources to our schools and communities, and in improving the livelihood of all residents. Our agricultural 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-savings 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 produce food, fuel, and fiber in our state.

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

Sincerely,

Matthew Teffeau  
Manager of Government Affairs and Economic Development  
Choptank Electric Cooperative



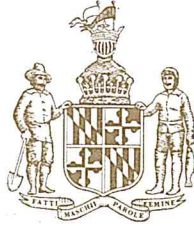
Members First. Every Day.

# **JacksonSB640HouseTestimony.pdf**

Uploaded by: Michael Jackson

Position: FAV

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



Annapolis Office  
Miller Senate Office Building  
11 Bladen Street, Suite 3 West  
Annapolis, Maryland 21401  
410-841-3700 · 301-858-3700  
800-492-7122 Ext. 3700  
Michael.Jackson@senate.state.md.us

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**  
**WAYS & MEANS COMMITTEE**  
**MARCH 30, 2023**

Chair Atterbeary, Vice Chair Wilkins and 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.**

# **SB640 - RMC Support Testimony w Amendments- Sales**

Uploaded by: Megan D'Arcy

Position: FWA

*Susan O'Neill, Chair*

*Charlotte Davis, Executive Director*

Testimony in Support with Amendments of  
Senate Bill 640 – Sales and Use Tax – Electricity for Agriculture Purposes - Exemption  
Ways and Means Committee  
March 30, 2023

**The Rural Maryland Council supports Senate Bill 640 – Sales and Use Tax – Electricity for Agriculture Purposes – Exemption as amended.** 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.

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 640 as amended.

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.