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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.



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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@dcachicken.com or 410-490-3329.

Sincerely,

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

Holly Porter
Executive Director