

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.