



MARYLAND DEPARTMENT OF AGRICULTURE

LEGISLATIVE COMMENT

DATE: 03/07/2018

BILL No.: SB 848

**SUBJECT: INCOME TAX CREDIT - WINERIES AND VINEYARDS -
PROCEDURES TO CLAIM CREDIT AND SUNSET EXTENSION**

COMITTEE: SENATE BUDGET AND TAXATION

MDA POSITION: WRITTEN-SUPPORT

EXPLANATION:

This bill extends the sunset for another 3 years (2021) for a tax credit against the State income tax for 25% of the capital expenses made to either establish or make capital improvements to a winery or vineyard. The Department of Commerce administers the tax credit and is authorized to award a maximum of \$500,000 in credits annually.

COMMENT:

The Maryland winery industry has grown significantly in the past 8 years from 41 licensed wineries to currently 93. According to a recent economic study by Wine America, Maryland wineries generates close to \$2.6 billion in total economic activity in the State of Maryland. The Maryland wine industry paid nearly \$165.9 million in state and local taxes 2017. Maryland wineries which hold Class 4 Limited Winery manufacturer license are issued by the Office of the Comptroller. The Class 4 Limited Winery is Maryland's version of the "farm winery" license issued in at least 42 states. A "farm winery" is one that makes wine from fruit grown on the estate, or purchased from an in-state grower. Maryland's Class 4 wineries purchase all quality commercial fruit grown by in-state growers, unless there's an insufficient supply of Maryland grapes or agricultural product as determined by the Maryland Secretary of Agriculture.

The Secretary of Agriculture has annually made a determination on the supply of Maryland agriculture products pursuant to Article 2B Section 2-205 of the Annotated Code of Maryland since the mid-1990's - there has always been a shortage of Maryland agricultural products for Maryland wineries to use. For example, the Secretary determined that the estimated production of wine grapes by Maryland vineyards was approximately 2,250 tons while the demand for wine grapes by Maryland wineries was approximately 3,114 tons in 2017. This tax credit is needed to ensure that Maryland wineries and vineyards continue to prosper in our state.