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#### POSITION STATEMENT

Senate Bill 979 - Income Tax Credit- Value-Added Processing Expenses  
Budget and Taxation Committee  
March 4, 2020

The Rural Maryland Council **SUPPORTS** Senate Bill 979 – Income Tax Credit – Value-Added Processing Expenses. This bill provides a tax credit for 25% of qualified capital expenses made in connection with value-added processing conducted in the State. The credit can only be taken if expenses incurred exceed by \$10,000. The Department of Commerce is required to administer the tax credit and may award a maximum of \$1.0 million in credits annually. A qualified capital expense is defined as all expenditures made by the taxpayer for the purchase or installation of equipment for use in value-added processing.

Value-added processing is a process that transforms a raw agricultural, silvicultural, or aquacultural product into a new product. Think milk to cheese, butter, yogurt and ice cream or fruit to jam. Direct marketing and value-added products are two of the best strategy's farmers can employ to improve net profitability. These types of products can open new markets, enhance the public's appreciation for the farm, extend the marketing season, and create jobs.

For every dollar American consumers spend on food, U.S. farmers and ranchers earn just 14.6 cents from the sales of their raw food commodities, according to a report recently released by the U.S. Department of Agriculture Economic Research Service- <https://www.ers.usda.gov/data-products/food-dollar-series/>. This value marks a 17 % decline since 2011 and the smallest portion of the American food dollar that farmers have received since the USDA began reporting this data in 1993. The remaining 85.4 cents goes to the food supply chain industries in all post-farm activities that culminate in final market food dollars.

Why such a decline? One of the main reasons is food-away-from-home spending by consumers, which includes buying more of "ready-to-eat" or "ready-to-cook" food while farmers generally produce and market raw agricultural commodities. Value-added processing offers farmers the potential to capture a larger share of the food dollar by expanding their product and SB 979 will provide the tax credit incentive to help them do it.

The Council respectfully requests your favorable support of SB 979.

*The Rural Maryland Council (RMC) brings together citizens, community-based organizations, federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to collectively address the needs of Rural Maryland communities. We provide a venue for members of agriculture and natural resource-based industries, health care facilities, educational institutions, economic and community development organizations, for-profit and nonprofit corporations, and government agencies to cross traditional boundaries, share information, and address in a more holistic way the special needs and opportunities in Rural Maryland.*

“A Collective Voice for Rural Maryland”