

**KATIE FRY HESTER**  
*Legislative District 9*  
Carroll and Howard Counties

Education, Health, and  
Environmental Affairs Committee

Chair, Joint Committee on  
Cybersecurity, Information Technology  
and Biotechnology



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**THE SENATE OF MARYLAND**  
ANNAPOLIS, MARYLAND 21401

March 4th, 2020

**Testimony in Support of SB979 - Income Tax Credit - Value-Added Processing Expenses**

Chairman Guzzone, Vice chair Rosapepe, members of the Budget and Taxation Committee:

Thank you for your consideration of SB979. This bill would create a State income tax credit for 25% of qualified capital expenditures connected to value-added processing for agricultural, silvicultural, and aquacultural products in the State of Maryland. This would apply to equipment for turning milk into cheese, barley into beer, and berries into jam. The individual or corporation claiming this tax credit would have to make a minimum of \$10,000 in aggregate investment, and the total amount of tax credits to be awarded by the state would be capped at \$1,000,000 annually.

You have probably heard me say this before, but Maryland agriculture is one of the most efficient sectors of our economy in terms of multiplier effects. Every \$1 of economic output generated from the agricultural sector results in an additional 45 cents of economic output in secondary industries - including value-added processing. According to a study conducted by BEACON at Salisbury University, Maryland's value-added agriculture industry supports close to 74,000 jobs, results in \$20.6 billion of annual economic impact, and brings in \$875 million in terms of the State's fiscal resources. These are measures that show a productive role for value-added processing in the State economy today, but the opportunity becomes abundantly clear when the industry is compared with regional competitors. Value-added activities in neighboring Pennsylvania, for example, generate almost \$23 million annually in direct economic impact alone, with total economic output estimated to be \$52 million - more than double the output of our value-added processing industry.

Changes in consumer habits, including increased demand for local, organic products; agritourism experiences; and transparency surrounding food processing and production activities have positioned the value-added processing industry for success in the near future. Maryland's

Cottage Food Law and regulations are even well crafted to allow for small farmers to participate, and generate locally processed value-added products. However, the equipment necessary for value-added processing can be incredibly expensive, occasionally stretching into cost prohibitive territory. By providing businesses and farmers with the proper investment and assistance in overcoming this first hurdle, we can support this growing industry, bring jobs to our State, and provide a reliable local source of demand for Maryland farmers. **I respectfully request a favorable report for SB979.**

Sincerely,

A handwritten signature in black ink that reads "Katie Fry Hester". The signature is written in a cursive style with a large, stylized "K" and "H".

Senator Katie Fry Hester  
Howard and Carroll Counties