



## Maryland

### Wineries and Vineyards Tax Credit

#### ***What is the Wineries and Vineyards Tax Credit?***

Maryland's Wineries and Vineyards Tax Credit program provides income tax credits to business that incur qualified capital expenses made in connection with the establishment of new wineries or vineyards, or the capital improvements made to existing wineries or vineyards in Maryland. The business may apply for tax credit in an amount equal to but not more than twenty-five percent of incurred costs. The total amount of credits awarded to each business depends on the amount of eligible expenses and costs incurred with a limit of \$500,000 for all businesses that apply. If the total amount of credits applied for exceeds \$500,000 in a year, the credit will be prorated among the certified applicants. Tax credits are more valuable than deductions because credits are subtracted directly from income tax liability.

#### ***Who may apply?***

A Maryland winery or Maryland vineyard that has qualified capital expense may apply for this tax credit.

Maryland Winery: an establishment located in Maryland and is licensed by the Comptroller of Maryland as either a Class 3 or Class 4 winery.

Maryland Vineyard: agricultural lands located in Maryland consisting of at least 1 contiguous acre dedicated to the growing of grapes used in the production of wine by a winery as well as any plants or other improvements.

#### ***What are the qualified capital expenses?***

The "Qualified Capital Expenses" are all expenditures made by the business for the purchase and installation of equipment or agricultural materials for use in the production of agricultural products at a vineyard or in a winery. Qualified capital expenses include:

- Barrels
- Bins
- Bottling equipment,
- Canopy management machines
- Capsuling equipment
- Chemicals
- Corkers
- Crushers
- Destemmers
- Lugs
- Mowers
- Poles
- Posts
- Presses
- Pruning equipment
- Pumps
- Refractometers
- Refrigeration equipment

- Fermenters or other recognized fermentation devices
- Fertilizer and soil amendments
- Filters
- Fruit harvesters
- Fruit plants
- Hoses
- Irrigation equipment
- Labeling equipment
- Seeders
- Soil
- Small tools
- Tanks
- Tractors
- Vats
- Weeding and spraying equipment
- Wine tanks
- Wire

However, utilities, labor costs, service costs, repair costs, maintenance costs, construction costs, and general supplies are NOT eligible expenses.

### ***How much credit does a business receive?***

Businesses may apply for an income tax credit in an amount equal to twenty-five percent of the qualified capital expenses. If total credits applied for exceed \$500,000 for a calendar year, the Wineries and Vineyards Tax Credit is prorated.

### ***How can I prove eligible wineries and vineyards capital expenses?***

A business must complete the “Report of Expenses” with supporting documents as an attachment to the application.

The business entity must retain a copy of any supporting documents of these costs for its records. Supporting documents include all the following.

- Proof of equipment and/or materials purchases, such as receipts and invoices from the store and/or company where the purchase was made or other supporting documentation.

### ***How do I know if I can claim the Wineries and Vineyards Tax Credit?***

**Business Certification Requirement:** A business must be certified as a qualified business entity that is eligible for the tax credit. Applications for certification are available from the DBED website. The business must submit an application and report of expenses along with the supporting documents to DBED by September 15<sup>th</sup> of the calendar year following the end of the taxable year in which the expenses were incurred. DBED will review the application package and will certify to the taxpayer the amount of tax credit that the taxpayer may claim by December 15<sup>th</sup> of the same year.

**Detailed “Report of Expenses” Requirement:** A business must provide a detailed report of expenses of the qualifying wineries and vineyards capital expenses in Maryland with supporting documents of the proof of purchase.

### ***What if I do not have enough income tax liability to use all of the credit?***

If the Wineries and Vineyards tax credits exceed the tax imposed for that year, the credits may be carried forward for 15 years.

### ***How do I claim the Wineries and Vineyards Tax Credit?***

**Maryland Tax Form 500CR** is used to claim this credit. The business must file an amended tax return with the Comptroller of Maryland for the year in which the expenses were incurred and attach a copy of the certification from DBED. Also, note that the credit is taken against the state income tax only. It is not taken against the county income tax “add-on.”

More information for tax forms and tax return instructions, please visit the Comptroller of Maryland website at <http://taxes.marylandtaxes.com>

### ***What records must a business maintain?***

The business, in accordance with standard tax record procedures, must maintain information on the expenses claimed for the credits as well as supporting documents for the proof of purchases and payments.

### ***Is business information submitted to the Department confidential?***

Generally yes, subject to the provisions of the Maryland Public Information Act and of Maryland Code, Tax-General Article, Title 13, Subtitle 2 [Confidentiality].”

### ***How long does the Wineries and Vineyard Tax Credit program last?***

The credit is available for eligible expenses and costs for taxable years **beginning after December 31, 2012, but before July 1, 2018.**

### ***What if the total Wineries and Vineyards Tax Credit applied for by all firms exceeds \$500,000?***

If applications by all firms for Wineries and Vineyards Tax Credit exceed \$500,000, your credit amount will be calculated by multiplying the credit applied for by the following fraction: \$500,000 divided by the total value of credits applied for by all applicants. For example, if the credit amount that you are applying for is \$50,000 and the total amount of credits applied for by all business is \$2 million; you will be eligible for \$12,500.

***Who should I contact with more questions?***

Please contact Emiko Kawagoshi at 410-767-4041, [ekawagoshi@choosemaryland.org](mailto:ekawagoshi@choosemaryland.org) or Stacy Kubofcik at 410-767-4980, [skubofcik@choosemaryland.org](mailto:skubofcik@choosemaryland.org) with any questions.