

March 26, 2024

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis MD 21401

RE: Letter of Information – House Bill 689 – Electric Vehicles – Repeal of Excise Tax Credit and Establishment of Rebate Program

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) offers the following information on House Bill 689 for the Committee’s consideration.

As amended, House Bill 689 seeks to repeal the Maryland zero-emission plug-in electric drive vehicle (ZEV) and fuel cell electric vehicle (FCEV) excise tax refund program and replace it with a Z/FCEV rebate program. The rebate program would require the dealership selling a vehicle to provide the state rebate at the point of sale and submit an application for the down payment applied on the purchase to the MDOT Motor Vehicle Administration (MVA).

To meet greenhouse gas reduction goals and respond to climate change mandates, the State has instituted a goal of 1.1 million Z/FCEVs on the road by 2030. The motor vehicle excise tax credit has been an effective incentive to promote the adoption of Z/FCEVs. Since the beginning of Fiscal Year 2021, Maryland has seen an increase of 260% in the number of Z/FCEV s registered in the State. With over 95,000 Z/FCEVs registered, Z/FCEVs now make up nearly 2% of all vehicles registered.

As amended, House Bill 689 would no longer require the verification of income thresholds for qualifying rebate recipients. This removes a substantial logistical hurdle as the MVA currently does not have access to information that would verify a customer’s income. Additionally, the income caps in the bill as introduced would have required continuous monitoring of future income and the recapture of funds should an individual’s income exceed certain thresholds. Subsequent monitoring of income and eventual recapture of funds by the state would have posed significant implementation challenges. The federal program was amended in 2024 to add the option to self-certify income, but since the IRS manages the program and has the data, if the individual is not qualified, the IRS would collect any money owed from the individual’s taxes. The federal program also does not have a subsequent monitoring requirement.

The Honorable Guy Guzzone
Page Two

The bill also requires a dealer to be reimbursed as expeditiously as practicable. Currently, all dealers have up to 30 days to submit finalized paperwork and funds to the Administration. Once this information is transmitted, the MVA could initiate the refund to be remitted to the dealer. The payments come from the State Treasurer's Office and are usually issued in a four-to-six-week timeframe. At this time, it is not known if the refund payment could be accelerated.

Finally, to meet the requirements of House Bill 689 as amended, MVA will need to implement various programming changes; these changes would include the creation of a new eServices process to allow dealers to submit reimbursement requests for rebates issued, the ability to track real-time availability of funds, and the ability to bill a customer if a rebate was issued in error.

Implementing House Bill 689 will require coordination between multiple state agencies as well as the dealership community and the MVA stands ready to work with these partners to advance the policy goals of accelerating the adoption of Z/FCEVs.

For these reasons, the Maryland Department of Transportation respectfully requests that the Committee consider this information when deliberating House Bill 689.

Respectfully submitted,

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