



March 25, 2024

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
Annapolis, Maryland 21401

**HB 689: Electric Vehicles – Repeal of Excise Tax Credit and Establishment of Rebate Program
Position: Favorable with Amendments**

Chair Guzzone:

The Alliance for Automotive Innovation¹ (Auto Innovators) appreciates the opportunity to provide the following comments on HB 689. There is much work to be done to significantly increase electric vehicle (EV) adoption in Maryland. Our shared objectives require collaboration and a sustained commitment to fund and execute supportive programs and policies like those contained in HB 689.

Commitment to Net-Zero Carbon Transportation

Auto Innovators and its members are committed to achieving a net-zero carbon transportation future for America's cars and light trucks. The auto industry is investing \$1.2 trillion globally by 2030 to advance vehicle electrification and will increase the number of EV models available from 111 today to around 150 by model year (MY)2026². In August of 2021, Auto Innovators and our members announced support for a goal of achieving 40-50 percent U.S. new light-duty vehicle market share of EVs nationally by 2030, with the right complementary policies in place.

Current State-of-Play

Maryland EVs sales comprised 11% percent of new vehicles sales through the first three quarters of 2023³. The challenge of reaching the California Air Resource Board (CARB) ACC II mandate of 100 percent electric vehicle market share by 2035, requires Maryland to address several hurdles to consumer acceptance.

The ACC II regulations require very aggressive increases in EV sales starting with MY2027 when 43% of all new vehicles delivered to Maryland car dealers will be EVs. That means, in Maryland, EV sales must increase more than four-fold in about two model years. These are staggering required sales increases for a new technology that relies heavily on customer acceptance and market readiness. Based on the average transaction price of EVs, EV buyers are far more likely to be affluent single-family homeowners with modern electric panels just a few feet from their garage where they will charge their EVs. These buyers do not represent a full cross-section of Maryland's new car buyers,

¹ From the manufacturers producing most vehicles sold in the U.S. to autonomous vehicle innovators to equipment suppliers, battery producers and semiconductor makers – Alliance for Automotive Innovation represents the full auto industry, a sector supporting 10 million American jobs and five percent of the economy. Active in Washington, D.C. and all 50 states, the association is committed to a cleaner, safer and smarter personal transportation future.

www.autosinnovate.org.

² [EVs, PHEVs hitting U.S. dealerships through 2026 | Automotive News \(autonews.com\)](https://www.autonews.com)

³ <https://www.autosinnovate.org/posts/papers-reports/get-connected-q3-2023>

and achieving even 30, 70, or 100 percent of the new car market will require reaching buyers of more moderate means. It will also require action well beyond automakers' ability to produce more EVs.

Suggested Amendments

We support moving from an excise tax credit to a point-of-sale rebate which will provide consumers with money at the time of their purchase to lower the total cost of their new vehicle. Instead of the current price cap of \$50,000 for an eligible EV, we recommend using the language from the Inflation Reduction Act (IRA) on vehicle price eligibility (pickup truck, van, or SUV is \$80,000 or less; for all other passenger vehicles, \$55,000 or less).

As the Maryland Department of the Environment's 2023 Climate Pollution Reduction Plan⁴ notes, "EVs are still priced above levels that are affordable for low and moderate income consumers, so state incentives in the near term will help accelerate the adoption of EVs."⁵ The time for these incentives is now while Maryland struggles to increase its EV sales to a point that will make the ACC II requirements remotely achievable.

In its 2023 Annual Report⁶, the Maryland Commission on Climate Change proposed a Clean Vehicle Rebate Program with annual funding of \$300 million. The current annual appropriation of \$8.25 million is obviously not sufficient and may have already expired for the current fiscal year. This will leave consumers and dealers holding the proverbial bag.

Therefore, we recommend extending and fully funding the EV rebate so that consumers and new car dealers can be sure that the rebate is available. Maryland's current EV incentive will expire July 1, 2027. That same year, 51% of all new vehicles delivered to Maryland car and truck dealers will be EVs. Eliminating funding as EV sales requirements dramatically increase could set Maryland consumers and businesses up for disaster.

Incentives must be available for all EV technologies, which are necessary to build a robust market for EVs and provide consumers with the maximum number of electric options. More models mean more consumer choice across all price points, with varied technologies that support the broadest array of customer needs and use cases.

We support fully the state of Maryland's efforts to promote EV adoption through funding for electric vehicle purchase and infrastructure incentives – actions necessary and critical to the state's environmental goals and increasing consumer interest in EVs. However, that requires an increased commitment from Maryland along with the policies to support consumers and businesses through this transition.

⁴<https://mde.maryland.gov/programs/air/ClimateChange/Maryland%20Climate%20Reduction%20Plan/Maryland%27s%20Climate%20Pollution%20Reduction%20Plan%20-%20Final%20-%20Dec%2028%202023.pdf>

⁵ <https://mde.maryland.gov/programs/air/ClimateChange/Pages/index.aspx>

⁶<https://mde.maryland.gov/programs/air/ClimateChange/MCCC/Documents/MCCC%20Annual%20Report%202023/MCCC%20Annual%20Report%202023.pdf>

Thank you for your consideration of our position. For more information, please contact our local representative, Bill Kress, at (410) 375-8548.

Sincerely,

A handwritten signature in black ink that reads "Josh Fisher". The signature is written in a cursive style with a large, sweeping initial "J".

Josh Fisher
Senior Director
Alliance for Automotive Innovation.