



Maryland

Energy Administration

TO: Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Taxation Committee

FROM: MEA

SUBJECT: HB 689 - Electric Vehicles – Repeal of Excise Tax Credit and Establishment of Rebate Program

DATE: March 26, 2024

MEA Position: FAVORABLE

This bill would convert the state's excise tax credit for EVs to be a rebate program.

Maryland has set ambitious climate and electric vehicle (EV) goals, and financial incentives play an important role in the continued adoption of EVs. Research from the George Washington University found, however, that a tax credit was least valued by car buyers. The study also found that time-delayed incentives like tax credits favor more affluent purchasers, and immediate incentives such as direct rebates were strongly preferred by both used car buyers and those experiencing lower incomes. Modifying the state incentive to be a rebate is also consistent with Maryland's Climate Pollution Reduction Plan and the recommendations of the Maryland Commission on Climate Change.

Rebates offer several benefits over tax credits, not the least of which is that an EV buyer need not have a tax liability to take full advantage of a rebate. Tax credits are typically non-refundable, meaning that a purchaser must have a tax liability at least equal to the credit in order to gain the maximum benefit. Those with lower incomes and therefore lower tax burdens may not be able to realize the full benefit of a rebate. Additionally, the benefit of rebates is fully realized at the point of sale. This reduces the immediate cost of the vehicle and any amount of the purchase price that must be financed.

Federal programming is moving in a similar direction. Signed by President Biden in August 2022, the Inflation Reduction Act (IRA) includes changes that enable EV buyers to transfer certain EV tax credits to a qualified dealer in exchange for cash, essentially functioning as a direct rebate.

Transitioning Maryland to a point-of-sale model would help support its environmental and EV goals, while providing enhanced equity for consumers. For the foregoing reasons, MEA urges the committee to issue a **favorable report**.

Our sincere thanks for your consideration of this testimony. For questions or additional information, please contact Landon Fahrig, Legislative Liaison, directly (landon.fahrig@maryland.gov, 410.931.1537).