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Environment and Transportation Committee
Chair
Motor Vehicle and Transportation Subcommittee

The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Delegate Marc A. Korman
Chairman, House Environment and Transportation Committee
House Office Building – Room 251
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Mr. Chairman,

I am writing in favor of HB 689 – Electric Vehicles – Repeal of Excise Tax Credit and Establishment of Rebate Program.

Maryland's current electric vehicle excise tax provides a one-time credit of up to $3,000 when purchasing a qualifying zero-emission vehicle or fuel cell electric vehicle. The program runs on a first-come, first served basis, requiring individuals to manually submit their applications to the Motor Vehicle Administration.[1] After the program funds have been depleted, EV owners must wait until the following fiscal year to be compensated, resulting in longer processing times and less incentive to apply.

HB 689 addresses concerns by repealing the excise tax credit and instead establishing the Electric Vehicle Rebate Program. This would place Maryland in a similar posture to the new federal standards. As of January 1, 2024, the Inflation Reduction Act expanded its regulations to allow car dealers to give buyers their EV tax break at the point-of-sale.[2] This program will require participating car dealers to provide a rebate to an eligible buyer at the time of purchase and the MVA to reimburse the dealer for the rebates provided. As opposed to having to apply for a benefit exchange, car buyers will be able to receive the benefit at the time of purchase. Additionally, this bill will prioritize outreach regarding the rebate program to individuals of low and moderate income who consume large amounts of gasoline and diesel fuel.

Pennsylvania's Alternative Fuel Rebate offers up to $2,000 in rebates to assist eligible residents with paying the upfront cost of purchasing an EV.[3] Similarly, California adopted the Clean Fuel Reward

[1] "Titling - Excise Tax Credit for Plug-in Electric Vehicles," Maryland Department of Transportation Motor Vehicle Administration, n.d., https://mva.maryland.gov/vehicles/Pages/27300-71T.aspx.
[2] Greg Iacurci, "Why the $7,500 Electric Vehicle Tax Credit May Be Easier - and Harder - to Get in 2024," CNBC, December 28, 2023, https://www.cnbc.com/2023/12/28/7500-ev-tax-credit-may-be-easier-and-harder-to-get-in-2024.html.
[3] "Alternative Fuel Vehicle (AFV) Rebate," Alternative Fuels Data Center, n.d., https://afdc.energy.gov/laws/5812.

program in 2020, providing an instant price reduction of up to $750 at the point-of-sale for eligible new plug-in electric vehicles at participating retailers.[4]

Reducing the point-of-sale purchase price of an EV is more enticing than providing a tax credit far after the purchase of the vehicle.[5] A recent study from George Washington University found that car buyers overwhelmingly prefer an immediate rebate as opposed to an alternative incentive such as a tax credit. For the same subsidy amount, buyers valued the rebate by $1,450 more than a tax credit and this valuation was nearly double the amount for lower income households and buyers with lower budgets.[6] When incentives are not provided at the point-of-sale, the customer must have the financial ability to pay for the vehicle and then wait to receive the credit. Through this bill, lower income families would be more likely to purchase electric vehicles as the rebates would help offset the cost of the purchase.

This bill makes the transition to EVs far more accessible since participating dealers would provide rebates to eligible buyers at the time of purchase. In order to phase out internal combustion engines in the next decade, programs must be implemented to make environmental justice more affordable and attainable. By providing rebates at the point-of-sale for electric vehicles, Maryland would be able to reduce greenhouse gas emissions while addressing economic concerns for potential EV buyers.

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[4] "California Clean Fuel Reward Surpasses 250,000 Point-of-Sale Financial Incentives for EV Buyers," California Air Resources Board, May 9, 2022, https://ww2.arb.ca.gov/news/california-clean-fuel-reward-surpasses-250000-point-sale-financial-incentives-ev-buyers.

[5] Zifei Yang et al., "Principles for Effective Electric Vehicle Incentive Design ," International Council on Clean Transportation, n.d., https://theicct.org/sites/default/files/publications/ICCT_IZEV-incentives-comp_201606.pdf.

[6] "Electric Vehicle Buyers Want Rebates, Not Tax Credits," Media Relations: The George Washington University, July 7, 2022, https://mediarelations.gwu.edu/electric-vehicle-buyers-want-rebates-not-tax-credits.