

---

February 15, 2024

The Honorable Marc Korman  
Chair, House Environment and Transportation Committee  
251 House 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 Korman and Committee Members:

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

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). House Bill 689 would also limit eligibility for customers below certain income thresholds, which requires the Maryland Comptroller to share certain tax information of Z/FCEV purchasers with the MVA to enforce rebate program qualification requirements and submit violations of those requirements to the Central Collections Unit (CCU) for uncollected rebate monies when a customer was determined to have received a rebate in error. Finally, House Bill 689 also requires the MVA to conduct targeted outreach regarding the benefits of the rebate program to low- and middle-income Marylanders who use more than 1,000 gallons of gasoline or diesel fuel in a year.

To meet greenhouse gas reduction goals and respond to climate change mandates, the State has 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/FCEVs registered in the State. With over 95,000 Z/FCEVs registered, Z/FCEVs now make up nearly 2% of all vehicles registered.

While the provisions of the rebate program would align with the federal consumer tax credit enacted through the Inflation Reduction Act (IRA), helping to drive growth in Z/FCEV sales, House Bill 689 poses several logistical obstacles at the state level that differ from the IRA's capacities at the federal level.

Among House Bill 689's requirements is the verification of income thresholds for qualifying rebate recipients. The MVA currently does not have access to information about a customer's income. Implementation of this portion of the bill would require the creation of a process to allow access to a customer's tax information which could pose legal hurdles for the MVA to obtain this protected tax data.

The Honorable Marc Korman  
Page Two

Additionally, the bill as drafted may require continuing 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 poses significant implementation challenges. The federal program was amended in 2024 to add the option to self-certify income, however, the Internal Revenue Service (IRS) manages this program and has the required data readily available. If the individual is not qualified, the IRS will collect any money owed from the individual's taxes. The federal program does not have a subsequent monitoring requirement.

House Bill 689 also requires a dealer to be reimbursed as expeditiously as practicable. Currently by statute, all dealers have up to 30 days to submit finalized paperwork and funds to the MVA. Once this information is transmitted, the MVA can initiate the refund to be remitted to the dealer. However, 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.

Additionally, the legislation has specific outreach requirements the MVA must undertake to educate the public about the rebate program based on gas consumption. However, the MVA does not have access to individual gas consumption records. As a result, the MVA would not be able to conduct outreach in the specified manner required under House Bill 689. Rather, only a generalized outreach campaign could be conducted, and currently no funding is identified by which the MVA may conduct such outreach.

Finally, substantial new programming changes would be required by the MVA to its systems to implement House Bill 689's requirements. These 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. The MVA estimates the programming effort would take a minimum of 240 hours. Implementation of this bill would require coordination between multiple state agencies as well as the dealership community. The MVA stands ready to work with these partners to advance the policy goals of accelerating the adoption of ZEVs.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating House Bill 689.

Respectfully submitted,

Christine E. Nizer  
Administrator  
Maryland Motor Vehicle Administration  
410-787-7830

Pilar Helm  
Director of Government Affairs  
Maryland Department of Transportation  
410-865-1090