Department of Legislative Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 705 (Delegates Rosenberg and Bozman)
Ways and Means

Income Tax Credits for Alternative-Fuel Vehicles - Termination Date

This bill extends the sunset date for income tax credits for alternative-fueled vehicles from June 30, 1998 to June 30, 2000.

This bill is effective July 1, 1998.

Fiscal Summary

State Effect: General fund and Transportation Trust Fund revenues would be maintained. Expenditures would not be affected.

Local Effect: Local revenues would be maintained. Expenditures would not be affected.

Small Business Effect: Minimal.

Fiscal Analysis

Background: Chapter 124 of 1995 created a credit against the individual and corporate income taxes for the purchase of clean-fuel vehicles. The credit is for 40% of the federal deduction for the cost of clean-fuel vehicles (80% if the vehicle has a gross vehicle weight (GVW) of between 5,000 and 10,000 pounds), and for 40% of the federal credit allowed for a qualified electric vehicle. The maximum credit is $800 for a clean-fuel car, $1,600 for a clean-fuel vehicle between 5,000 and 10,000 pounds GVW, $2,000 for a clean-fuel vehicle between 10,000 and 26,000 pounds GVW, and $1,600 for an electric vehicle.

The clean-fuel vehicle tax credit was taken for 66 vehicles on two tax returns in 1995, for a revenue loss of $588. Many corporations will not file 1996 income tax returns until November of 1998, so data is not available regarding the first full tax year for which this credit was available.

State Revenues: General fund and Transportation Trust Fund (TTF) revenues would be maintained through the extension of the sunset. The credit will be claimed for an estimated 60 vehicles in 1999 and 90 vehicles in 2000. The cost of the credits is estimated at $100,000 for vehicles purchased in 1999 and $150,000 for vehicles purchased in 2000. The general fund revenue loss for credits claimed against the individual income tax would generally come in the fiscal year following the year in which the vehicles are purchased; the general fund and TTF revenue loss for credits claimed against the corporate income tax could affect revenues in the second fiscal year following the year in which the vehicles are purchased.

Local Revenues: Local revenues, which are affected by those credits claimed against the corporate income tax since a portion of the corporate income tax is distributed to local governments, would be maintained by the extension of the sunset. If all credits were claimed against the corporate income tax, local revenues would decline by $7,500 for vehicles purchased in 1999 and $11,250 for vehicles purchased in 2000.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates), Department of Transportation, Maryland Energy Administration, Department of Legislative Services

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