

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 891
Ways and Means

(Delegate Rosenberg, *et al.*)

Motor Vehicle Excise Tax - Tax Credit for Electric Vehicles

This bill creates a credit against the State vehicle excise tax for the purchase of qualified electric vehicles. The credit may not exceed \$2,000. The Motor Vehicle Administration and the Maryland Energy Administration must jointly adopt regulations to implement the bill.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease beginning in FY 2011 due to credits being claimed against the motor vehicle excise tax. Any revenue loss in FY 2011 is expected to be minimal. Revenue losses could be significant beginning in FY 2014 to the extent qualifying vehicles are registered in the State. TTF expenditures increase by \$35,000 in FY 2010 due to computer programming modifications.

Local Effect: Local highway user revenues distributed from TTF will decrease minimally beginning in FY 2011. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: A qualified vehicle must meet the requirements of Section 30 of the Internal Revenue Code (IRC). Credits may not be claimed unless: (1) the vehicle is registered in the State; or (2) the owner has already met any State or federal laws or

regulations governing clean-fuel vehicle or electric vehicle purchases applicable during the calendar year in which the vehicle is titled.

Current Law: No similar State income tax credit exists but recent federal legislation created tax credits for the purchase of qualified plug-in electric vehicles.

Background: Recent federal legislation created tax credits for low-speed vehicles, motorcycles and three-wheeled vehicles, qualified plug-in electric vehicles (under Section 30 of the Internal Revenue Code (IRC)), and qualified four-wheel plug-in electric vehicles under Section 30D of IRC. The amount of the credit is equal to 10% of the cost of any qualified vehicle, not to exceed \$2,500. The federal tax credit terminates December 31, 2011.

Under Section 30 of IRC, a qualified plug-in electric vehicle is defined as: (1) a low-speed vehicle within the meaning of section 571.3 of title 49, code of federal regulations (as in effect on the date of the enactment of the American Recovery and Reinvestment Act of 2009); or (2) has two or three wheels.

Chapter 295 of 2000 provided that individuals could claim a credit against the State vehicle excise tax for the purchase of qualified hybrid and electric vehicles. A total of \$4.3 million in credits were claimed in fiscal 2001 through 2004. In fiscal 2004 1,912 individuals claimed a total of \$2.0 million in credits. The tax credit expired July 1, 2004.

State Revenues: Credits for qualified electric vehicles can be claimed beginning July 1, 2010. As a result, TTF revenues will decrease beginning in fiscal 2011. Revenue losses in the near-term are expected to be minimal as the credit applies to certain low-speed plug-in electric vehicles and motorcycles. Revenue losses could be significant in later years if a significant number of electric plug-in motorcycles, three-wheel vehicles, or low-speed vehicles qualified under Section 30 of IRC are registered in the State.

Under the bill, a “qualifying electric vehicle” does not include a four-wheel vehicle as defined in Section 30D of IRC. If these vehicles were eligible for the proposed tax credit, State revenues may decrease by approximately \$840,000 annually beginning in fiscal 2011. Of this amount, \$672,000 reflects the potential revenue loss at the Maryland Department of Transportation and \$168,000 reflects the potential revenue loss under local highway user revenues. This estimate reflects 500 electric vehicles being sold at an average purchase price of \$28,000. The potential revenue loss in the out-years increase significantly, as additional electric vehicles enter the market.

State Expenditures: MVA advises that computer programming modifications will be needed to meet the bill's requirements, resulting in a one-time special fund expenditure increase of \$35,000 in fiscal 2010. Legislative Services advises that if other legislation is passed requiring computer programming changes, economies of scale may be realized. This will reduce the costs associated with this bill and other legislation affecting the motor vehicle excise tax.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Federal Joint Committee on Taxation, Maryland Department of Transportation, Department of Legislative Services

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Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510