

**Department of Legislative Services**  
 Maryland General Assembly  
 2011 Session

**FISCAL AND POLICY NOTE**

House Bill 567 (Delegate Hixson, *et al.*)  
 Ways and Means

**Income Tax - Heavy-Duty Diesel Vehicles - Credit for Idle Reduction Devices**

This bill creates an income tax credit for the cost of purchasing and installing qualifying idling reduction devices on a heavy-duty diesel vehicle. The value of the credit may not exceed the lesser of 50% of the cost of purchasing and installing the device or \$3,500. The credit allowed may not exceed the State income tax imposed in the tax year, but any unused amount of the credit may be carried forward to succeeding tax years. The credit may be claimed for the purchase and installation of qualifying devices through December 31, 2013.

The bill takes effect July 1, 2011, and applies to tax year 2011 and beyond.

**Fiscal Summary**

**State Effect:** General fund revenues will decrease by \$711,200 in FY 2012 as a result of credits claimed against the personal and corporate income tax. Transportation Trust Fund (TTF) revenues will decrease by \$64,800 in FY 2012 as a result of credits claimed against the corporate income tax and Higher Education Investment Fund (HEIF) revenues decrease by \$24,000 in FY 2012. Future years reflect a constant number of credits, distribution of tax revenues under current law, and termination of the credit. General fund expenditures increase by \$40,000 in FY 2012 for one-time tax form changes and computer programming modifications at the Comptroller’s Office.

| (in dollars)   | FY 2012     | FY 2013     | FY 2014     | FY 2015 | FY 2016 |
|----------------|-------------|-------------|-------------|---------|---------|
| GF Revenue     | (\$711,200) | (\$710,300) | (\$710,300) | \$0     | \$0     |
| SF Revenue     | (\$88,800)  | (\$89,700)  | (\$89,700)  | \$0     | \$0     |
| GF Expenditure | \$40,000    | \$0         | \$0         | \$0     | \$0     |
| Net Effect     | (\$840,000) | (\$800,000) | (\$800,000) | \$0     | \$0     |

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local highway user revenues will decrease by \$6,600 in FY 2012 and \$7,500 in each of FY 2013 and 2014 as a result of credits claimed against the corporate income tax. Local expenditures are not affected.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** This bill creates an income tax credit for the cost of purchasing and installing a qualifying idling reduction device on a heavy-duty diesel vehicle. The value of the credit for each device may not exceed the lesser of 50% of the cost of purchase and installation or \$3,500. The credit allowed may not exceed the State income tax imposed in the tax year, but any unused amount of the credit may be carried forward to succeeding tax years. A qualifying idling reduction device is a device or system of devices that (1) is purchased in the State; (2) is installed on a heavy-duty diesel vehicle for highway use; (3) is designed to provide to a temporarily parked or stationary vehicle services that would otherwise require the operation of the main drive engine, including air conditioning, electricity, or heat; (4) the original use of which commences with the taxpayer and is acquired for use by the taxpayer and not for resale; and (5) is certified by the U.S. Environmental Protection Agency (EPA) to reduce long-duration idling of a vehicle. Purchases made through December 31, 2013, may qualify for the credit.

**Current Law:** No similar State income tax credit exists, although the cost of idle reduction device property purchased for business or investment purposes is eligible to be expensed or deducted, typically resulting in a lower federal and State income tax liability.

A federal excise tax of 12% applies to the final retail sale of certain truck and tractor chassis, bodies, and related parts and accessories. The federal Energy Improvement and Extension Act of 2008 excludes certain idling reduction devices from the tax. Under the federal exemption, an idling reduction device is any device or system of devices that provide the tractor or truck with services, such as heat, air conditioning, and electricity, without operation of the main drive engine while the vehicle is temporarily parked or stationary. The device must be affixed to the tractor and determined by the EPA Secretary, in consultation with the Secretaries of the Departments of Energy and Transportation, to reduce idling while parked or stationary. EPA maintains a list of approved devices on its website.

**Background:** Federal Department of Transportation regulations require long-haul truck drivers to rest for at least 10 hours for every 14 hours of driving. This typically involves parking in a truck stop or rest area and leaving the engine running. Idling the engine is required for the operation of heating or air conditioning, and also to operate on-board

electrical appliances, such as televisions, refrigerators, or laptop computers. Vehicle idling can also ensure that the engine block, fuel, and oil remain warm in cold weather.

According to the Maryland Energy Administration (MEA), studies have shown that a typical long-haul tractor-trailer idles approximately 1,830 hours per year – this translates to a fleet-wide consumption of about 838 million gallons of diesel fuel annually. Idle reduction technologies seek to reduce the idling time for trucks, reducing both diesel consumption and emissions. A range of technologies seek to reduce idling, both through on-board systems contained in the truck and off-board systems that provide electricity and other services to the truck cab. Onboard devices include automatic engine shut down systems that cycle the main engine to maintain a desired cabin temperature. Offboard options such as truck stop electrification provide electrical power to a truck for powering accessories such as refrigerators and microwaves; if the truck is equipped with electrical heating and air conditioning systems, these can be powered as well. Systems are also in place at some truck stops that provide heating/air conditioning, electrical power, cable TV, and Internet through a window-mounted unit.

MEA further states that Maryland is part of the Mid-Atlantic Diesel Collaborative, a program under EPA that seeks to reduce emissions in the Mid-Atlantic region. Monies are given out to support research and financing for vehicle retrofits. Maryland is also involved in the Clean Cities Campaign. This campaign encourages the use of idle reduction technologies by way of education, keeping consumers informed on available technologies and benefits.

In addition, the National Clean Diesel Campaign and American Recovery and Reinvestment Act of 2009 have provided funding to all states for diesel reduction emission reduction projects. These grants were to be used in Maryland to retrofit a variety of different types of transportation vehicles in order to reduce emissions. Several states, including Wisconsin, operate programs that provide grants to defray part of the cost of purchasing idling reduction technologies. Wisconsin provided \$5.9 million in grants over a five-year period for the installation of about 1,600 idling reduction devices.

**State Revenues:** The bill establishes a credit against the State income tax for the cost of purchasing qualified idling reduction devices beginning in tax year 2011. Purchases made after December 31, 2013, do not qualify for the credit. As a result, general fund revenues will decrease by \$711,200 in fiscal 2012 and by \$710,300 in each of fiscal 2013 and 2014. HEIF revenues decrease by \$24,000 annually in fiscal 2012 through 2014. TTF revenues decrease by \$64,800 in fiscal 2012 and by \$65,700 in each of fiscal 2013 and 2014.

This estimate is based on the number of applications received by the Wisconsin grant program and the federal Joint Committee on Taxation is estimated cost of the federal

excise tax exemption, adjusted for Maryland based on private employment in the trucking industry.

**State Expenditures:** The Comptroller's Office reports that it will incur a one-time expenditure increase of \$40,000 in fiscal 2012 to add the tax credit to the income tax forms. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

**Local Revenues:** Baltimore City, counties, and municipalities receive a portion of corporate income tax revenues to support the construction and maintenance of local roads and other transportation facilities. Local highway user revenues will decrease by \$6,600 in fiscal 2012 and by \$7,500 in each of fiscal 2013 and 2014 as a result of credits claimed against the corporate income tax.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** SB 419 (Senator DeGrange, *et al.*) - Budget and Taxation.

**Information Source(s):** Internal Revenue Service, Maryland Energy Administration, Joint Committee on Taxation, Wisconsin Department of Commerce, Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2011  
ncs/jrb

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