HB 151

Department of Legislative Services

Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 151 (The Speaker, *et al.*) (By Request - Administration)
Environment and Transportation

Clean Cars Act of 2019

This Administration bill expands the existing qualified plug-in electric vehicle excise tax credit by (1) increasing to $6.0 million the total amount of credits that the Motor Vehicle Administration (MVA) can award for fiscal 2020 and (2) extending eligibility to qualified fuel cell electric vehicles.

The bill also expands the membership, responsibilities, and reporting requirements of the Maryland Electric Vehicle Infrastructure Council (EVIC) to include a focus on fuel cell electric and zero emission vehicles. Furthermore, the council is renamed as the Maryland Zero Emission Vehicle Infrastructure Council (ZEVIC). **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: Strategic Energy Investment Fund (SEIF) revenues decrease by $3.6 million in FY 2020 due to the mandated transfer specified by the bill. Transportation Trust Fund (TTF) revenues increase by $0.6 million in FY 2020 due to the mandated SEIF transfer. TTF expenditures increase by $54,300 in FY 2020 due to an increase in local highway user revenue grants.

($ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	($3.0)	$0	$0	$0	$0
SF Expenditure	$0.1	$0	$0	$0	$0
Net Effect	($3.1)	$0.0	$0.0	$0.0	$0.0

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

Local Effect: Local highway user revenues increase by $54,300 in FY 2020. Local expenditures are not affected.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

Vehicle Excise Tax Credit

A person may claim a credit against the vehicle excise tax for 100% of the excise tax imposed, not to exceed $3,000, for the purchase of a qualified fuel cell electric vehicle. A qualified fuel cell electric vehicle must (1) be manufactured primarily for use on public streets; (2) have a maximum gross weight of 8,500 pounds; (3) have a maximum speed capability of at least 55 miles per hour; (4) be powered entirely by electricity produced by combining hydrogen and oxygen that runs the motor and produces only water vapor and heat as by-products; and (5) have an operating range of at least 100 miles.

In fiscal 2020 the lesser of $6.0 million or the actual amount of plug-in electric vehicle and fuel cell electric vehicle tax credits allowed in the fiscal year must be transferred from SEIF to TTF.

Maryland Zero Emission Vehicle Infrastructure Council

The membership of ZEVIC is expanded to include one representative of manufacturers of fuel cell electric vehicles and one representative of manufacturers of fuel cell electric vehicle infrastructure equipment. Additionally, the membership of ZEVIC includes (1) one representative of the business community, instead of the Baltimore Electric Vehicle Initiative, and (2) one representative of an electric company in the State, instead of two representatives.

The responsibilities of ZEVIC are generally altered and expanded to directly focus on fuel cell electric vehicles (FCEVs) or to focus more generally on zero emission vehicles (which includes FCEVs) instead of solely focusing on electric vehicles. For example, instead of developing targeted policies to support fleet purchases of electric vehicles, ZEVIC must develop policies to support fleet purchases of zero emission vehicles, and instead of developing an action plan to integrate electric vehicles into the State's transportation network, ZEVIC must develop a plan to integrate fuel cell electric vehicles.

ZEVIC is required to submit one additional interim report, due December 1, 2019, to the General Assembly. The bill also specifies that the interim report and ZEVIC's final report (due June 30, 2020) must be submitted to the Senate Finance Committee and the House Environment and Transportation Committee.

Current Law:

Qualified Vehicle Tax Credits

State Credit

Subject to available funding, a person who purchases a qualified plug-in electric vehicle may claim a credit against the vehicle excise tax. The credit is available for qualified vehicles that are newly acquired and titled for the first time through June 30, 2020.

The value of the credit is equal to $100 times the number of kilowatt-hours battery capacity of the vehicle, subject to a maximum of $3,000. A qualifying vehicle must have (1) a total purchase price of $60,000 or less and (2) a battery capacity of at least 5.0 kilowatt-hours. The credit is limited to 1 vehicle per individual and 10 vehicles per business entity.

MVA is authorized to award an annual maximum of $3.0 million in credits in fiscal 2018 through 2020. In each fiscal year the lesser of $2.4 million or the actual amount of tax credits allowed in the fiscal year must be transferred from SEIF to TTF.

Federal Credit

Qualified all-electric and plug-in hybrid vehicles may also qualify for a federal income tax credit of up to $7,500. The tax credit will begin to phase out for vehicles produced by a manufacturer that has sold a total of 200,000 qualified plug-in hybrid vehicles (cumulative sales since December 31, 2009). The Internal Revenue Service announced that as of January 1, 2019, the tax credit will begin to phase out for vehicles that are manufactured by Tesla Motors. General Motors expects that the tax credit for its vehicles will begin to phase out later in calendar 2019. Analysts project that in calendar 2021 through 2025 the credit will begin to phase out for most other manufacturers.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program, and the implementing SEIF, to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances to power plants under the Regional Greenhouse Gas Initiative.

Maryland Electric Vehicle Infrastructure Council

Chapters 400 and 401 of 2011 established EVIC and required it to develop a plan to expand the adoption of electric vehicles and develop an infrastructure charging network. Chapters 64 and 65 of 2013 extended EVIC through June 2015. Chapter 378 of 2015 subsequently extended EVIC and mandated that it issue a final report by June 30, 2020.

Background:

Plug-in Electric Vehicle Excise Tax Credit

Chapter 490 of 2010 established the qualified plug-in electric vehicle excise tax credit. The credit was available for qualified vehicles titled beginning on October 1, 2010, through June 30, 2013. As also generally required by subsequent legislation, the Act required specified transfers from SEIF to TTF in each year in order to offset revenue reductions resulting from the credit. Chapters 359 and 360 of 2014 extended the tax credit program through fiscal 2017, increased the value of the credit provided to most vehicles, and specified that a maximum of $1.8 million in credits could be awarded annually in fiscal 2015 through 2017. Chapters 362 and 363 of 2017 generally reduced the value of the credit, extended the program through 2020, and increased to $3.0 million the annual maximum amount of credits that can be awarded.

According to MVA, a total of 7,169 new plug-in electric vehicles have been titled in Maryland and claimed the tax credit since fiscal 2011. Since fiscal 2015 the maximum amount of authorized credits have been claimed in each year. As of November 2018, MVA has awarded the maximum amount of credits authorized for fiscal 2019. **Exhibit 1** shows by fiscal year the total amount of credits awarded and number of qualifying vehicles.

Exhibit 1
Plug-in Electric Vehicle Tax Credit
Total Credits and Qualifying Vehicles
Fiscal 2011-2019

Fiscal Year	Vehicles	Total Credits
2011	75	$148,400
2012	364	710,100
2013	1,128	2,073,541
2014	729	643,199
2015	773	1,781,068
2016	699	1,799,775
2017	699	1,799,750
2018	1,551	2,978,548
2019*	1,151	2,944,450
Total	**7,169**	**$14,878,831**

*Credit claimed as of November 2018.

Source: Motor Vehicle Administration

Fuel Cell Electric Vehicles

Fuel cell electric vehicles use a propulsion system similar to that of electric vehicles, where energy stored as hydrogen is converted to electricity by the fuel cell. They are more efficient than conventional internal combustion engine vehicles and produce no tailpipe emissions; they only emit water vapor and warm air instead of harmful tailpipe emissions such as carbon monoxide.

Fuel cell electric vehicles and the infrastructure to support them (such as hydrogen filling stations) are still in an early stage of development across the United States. Even so, vehicle manufacturers have begun making hydrogen fuel cell electric vehicles available in certain markets (*i.e.*, southern and northern California) where there is access to hydrogen fueling stations. Test vehicles are also available in limited numbers to select organizations with access to hydrogen fueling stations. Heavy-duty tractors and buses also have hydrogen options available on a demonstration basis. According to MVA, there are currently two fuel cell electric vehicles registered in Maryland.

State Fiscal Impact: The bill increases to $6.0 million the maximum amount of vehicle excise tax credits that MVA may award in fiscal 2020. Based on the existing history of the program, it is estimated that the maximum amount of tax credits authorized will be awarded. The bill requires a transfer from SEIF to TTF for the lesser of the actual credits allowed in the fiscal year or $6.0 million. As a result, SEIF revenues decrease by $3.6 million in fiscal 2020. TTF revenues will increase by $600,000 in fiscal 2020. TTF expenditures increase by $54,300 in fiscal 2020 due to an increase in local highway user revenue grants. **Exhibit 2** shows for fiscal 2020 the proposed changes in the total amount of credits authorized, mandated SEIF transfers, and impact on TTF revenues.

Exhibit 2
State Revenue Impact
Fiscal 2020

	Current	**Proposed**	**Difference**
SEIF	$2,400,000	$6,000,000	($3,600,000)
TTF	600,000	0	600,000
Total Credits	**$3,000,000**	**$6,000,000**	**3,000,000**

SEIF: Strategic Energy Investment Fund
TTF: Transportation Trust Fund

Local Revenues: Local governments receive a portion of vehicle excise tax revenues to support the construction and maintenance of local roads and other transportation facilities. Under the assumptions above, local highway user revenues will increase by $54,300 in fiscal 2020.

Additional Information

Prior Introductions: None.

Cross File: SB 168 (The President, *et al.*) (By Request - Administration) - Finance.

Information Source(s): U.S. Department of Energy; Internal Revenue Service; Maryland Department of Transportation; Department of Legislative Services

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Clean Cars Act of 2019

BILL NUMBER: SB 168/HB 151

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PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS