

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 72 (Delegate Korman, *et al.*)
 Environment and Transportation

Extension of Electric Vehicle Incentives Act

This bill establishes a qualified plug-in electric vehicle excise tax credit and Electric Vehicle Recharging Equipment Rebate Program for an individual who purchased qualifying property during fiscal 2017 but did not receive an incentive. An individual generally must meet applicable fiscal 2017 eligibility requirements and the incentives are equal to the amounts that were in effect during that fiscal year. **The bill takes effect July 1, 2019, and terminates June 30, 2020.**

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease by up to \$2.1 million in FY 2020 due to the additional electric vehicle incentives. Expenditures are not affected.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	(\$2.1)	\$0	\$0	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$2.1)	\$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: None.

Small Business Effect: Minimal.

Analysis

Current Law: A person who purchased and installed electric vehicle recharging property during fiscal 2017 is no longer eligible for the Electric Vehicle Recharging Equipment Rebate Program. A person who purchased and titled a qualified electric vehicle during fiscal 2017 may no longer claim the tax credit against the vehicle excise tax credit.

Background:

Qualified Electric Vehicle Excise Tax Credit

Chapters 359 and 360 of 2014 extended the qualified plug-in electric vehicle excise tax credit through fiscal 2017 and made several changes to the program. Subject to available funding, a person who newly acquired and titled for the first time a qualified vehicle may claim a credit against the vehicle excise tax. In fiscal 2017, the value of the credit was equal to the lesser of (1) \$125 times the number of kilowatt-hours battery capacity of the vehicle or (2) \$3,000. The credit was limited to one vehicle per individual. The Acts authorized the Motor Vehicle Administration (MVA) to award a maximum of \$1.8 million in credits in each fiscal year and required the Maryland Energy Administration (MEA) to transfer in each fiscal year specified amounts from the Strategic Energy Investment Fund (SEIF) to TTF.

Chapters 362 and 363 of 2017 extended the program's termination date through fiscal 2020 and authorized MVA to award an annual maximum of \$3.0 million in credits beginning with fiscal 2018. The Acts also (1) reduced the value of the credit to \$100 times the number of kilowatt-hours battery capacity of the vehicle, subject to a maximum of \$3,000, and (2) added an additional eligibility requirement by specifying that a qualifying vehicle must have a total purchase price of \$60,000 or less and a battery capacity of at least 5.0 kilowatt-hours.

MVA awarded the maximum \$1.8 million in credits authorized for fiscal 2017.

Electric Vehicle Recharging Equipment Rebate Program

Chapters 359 and 360 of 2014 repealed the electric vehicle recharging equipment income tax credit and replaced the credit with a rebate program administered by MEA. The Acts authorized MEA to award an annual maximum of \$600,000 in rebates in fiscal 2015 through 2017. The rebate was equal to 50% of the cost of property that is located in the State and used for recharging vehicles propelled by electricity, subject to specified maximum values. MEA may also reimburse a person for the reasonable costs of installing the qualifying equipment. An individual may not receive more than one rebate.

Chapters 362 and 363 of 2017 (1) extended the program's termination date through fiscal 2020; (2) doubled to \$1.2 million the maximum amount of rebates MEA may award in each year; and (3) generally decreased the value of the incentives.

MEA awarded the annual maximum amount of authorized rebates in each year (\$600,000) in fiscal 2016 and 2017.

State Fiscal Impact: The bill establishes a qualified plug-in electric vehicle excise tax credit and Electric Vehicle Recharging Equipment Rebate Program for an individual who (1) qualified for the programs during fiscal 2017 but did not receive an incentive; (2) owns the qualifying property on the date of application; and (3) for the vehicle excise tax credit is the original owner of the vehicle.

MVA advises that in fiscal 2017 there are a total of 493 vehicle excise tax credit applications that would have received a tax credit but did not because the application was submitted after the maximum amount of credits had been awarded. According to MVA registration data, there are an additional 439 vehicles that could qualify for the proposed incentive but did not file an application. Based on the requirements of the bill, it is estimated that TTF revenues will decrease by at least \$1.1 million and up to \$2.1 million in fiscal 2020 due to these additional tax credit claims.

MEA advises that during fiscal 2017 approximately 50 rebate applications were received after the agency had awarded the maximum authorized amount of rebates. The bill states that it is the intent of the General Assembly that any additional rebates paid to fiscal 2017 applicants are paid from SEIF. The fiscal 2020 operating budget includes \$1.2 million in SEIF funds for the rebate program. It is assumed that additional fiscal 2017 refunds are paid from fiscal 2020 funds and reduce the amount of available funds for fiscal 2020 applicants. Accordingly, expenditures are not affected.

Additional Information

Prior Introductions: SB 177 of 2018, a similar bill, received a favorable report from the Senate Budget and Taxation Committee, passed the Senate, and was referred to the House Rules and Executive Nominations Committee but received no further action.

Cross File: None.

Information Source(s): Maryland Department of Transportation; Maryland Energy Administration; Department of Legislative Services

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