

Department of Legislative Services  
 Maryland General Assembly  
 2019 Session

FISCAL AND POLICY NOTE  
 First Reader

Senate Bill 78 (Senator Young, *et al.*)  
 Budget and Taxation

**Plug-In Electric Drive Vehicle Excise Tax Credit - Sunset - Repeal**

This bill repeals the termination date of the qualified plug-in electric vehicle excise tax credit. The bill also allows a person who was unable to claim the tax credit due to the annual limitation on credits that can be awarded to apply for the credit in the following fiscal year. **The bill takes effect July 1, 2019.**

**Fiscal Summary**

**State Effect:** Strategic Energy Investment Fund (SEIF) revenues decrease by \$2.4 million annually and Transportation Trust Fund (TTF) revenues decrease by \$0.6 million annually beginning in FY 2021 due to the repeal of the program termination date. TTF expenditures decrease by \$54,300 annually beginning in FY 2021 due to a reduction in local highway user revenue grants.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	\$0	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)
SF Expenditure	\$0	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)
Net Effect	\$0.0	(\$2.9)	(\$2.9)	(\$2.9)	(\$2.9)

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

**Local Effect:** Local highway user revenues decrease by \$54,300 annually beginning in FY 2021. Local expenditures are not affected.

**Small Business Effect:** Minimal.

## Analysis

### Current Law:

#### *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.

The Motor Vehicle Administration (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 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.

**Background:** 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, from fiscal 2011 through December 2019, a total of 7,169 new plug-in electric vehicles have been titled in Maryland and claimed the tax credit. 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.

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

<u>Fiscal Year</u>	<u>Vehicles</u>	<u>Total Credits</u>
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
<b>Total</b>	<b>7,169</b>	<b>\$14,878,831</b>

Source: Motor Vehicle Administration

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**State Fiscal Impact:** The bill repeals the termination date of the qualified plug-in electric vehicle excise tax credit. MVA may award an annual maximum of \$3.0 million in vehicle excise tax credits. Based on the existing history of the program, it is estimated that the maximum amount of incentives authorized in each year will be awarded. The bill requires the Comptroller to transfer in each fiscal year from SEIF to TTF the lesser of the actual

credits allowed in the fiscal year or \$2.4 million. As a result, SEIF revenues decrease by \$2.4 million annually and TTF revenues decrease by \$600,000 annually beginning in fiscal 2021. TTF expenditures decrease by \$54,300 annually beginning in fiscal 2021 due to a reduction in local highway user revenue grants.

**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 decrease by \$54,300 annually beginning in fiscal 2021.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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