SB 152

Department of Legislative Services

Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 152 (Chair, Finance Committee)(By Request - Departmental - Maryland Energy Administration)

Finance

Maryland Strategic Energy Investment Fund – Use of Funds and Electric Vehicle Excise Tax Credits

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This departmental bill requires the Motor Vehicle Administration (MVA) to issue an electric vehicle excise tax credit to a person who submitted an eligible application before January 1, 2021. The credits must be issued from the Transportation Trust Fund (TTF), and for fiscal 2022 and 2023, the lesser of $4 million or the actual amount of those issued credits must be transferred from the Strategic Energy Investment Fund (SEIF) to TTF to offset the reduction in revenues. The bill also alters the allowable uses of Alternative Compliance Payment (ACP) revenues generated by the State's Renewable Energy Portfolio Standard (RPS). **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: SEIF revenues decrease by $4.0 million annually in FY 2022 and 2023. TTF revenues decrease by $4.5 million in FY 2022 and increase by $4.0 million in FY 2023. TTF expenditures decrease by $405,000 in FY 2022 and increase by $360,000 in FY 2023.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	($8,500,000)	$0	$0	$0	$0
SF Expenditure	($405,000)	$360,000	$0	$0	$0
Net Effect	($8,095,000)	($360,000)	$0	$0	$0

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

Local Effect: Local highway user revenues decrease by $405,000 in FY 2022 and increase by $360,000 in FY 2023. Local expenditures are not directly affected.

Small Business Effect: The Maryland Energy Administration (MEA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) concurs, as discussed below.

Analysis

Bill Summary:

Issuance and Funding of Electric Vehicle Excise Tax Credit

The bill requires that a vehicle excise tax credit for a qualified plug-in electric drive vehicle or fuel cell vehicle be issued from TTF if an eligible application for the credit was submitted before January 1, 2021. The bill also requires that, for fiscal 2022 and 2023, the lesser of $4 million or the actual total amount of credits (for which applications are submitted before January 1, 2021), allowed against the excise tax and issued, must be transferred from SEIF to TTF to offset a reduction in revenues from the vehicle excise tax credit.

Alternative Compliance Payments – Renewable Energy Portfolio Standard

Under the bill, ACP revenues may be used only to (1) provide supplemental funding for zero-emission vehicles, zero-emission vehicle infrastructure programs, and other transportation sector greenhouse gas reduction and carbon reduction efforts and (2) make energy-related loans and grants, including support for energy efficiency measures, solar renewables, energy storage, and other Tier 1 renewables that directly benefit low- to moderate-income residents of the State. In each fiscal year, at least 50% of the energy-related loans and grants must directly benefit low-income residents of the State.

Current Law:

Qualified Electric Vehicle Tax Credits

Subject to available funding, a person who purchased a qualified plug-in electric vehicle or a qualified fuel cell electric vehicle prior to July 1, 2020, may claim a credit against the vehicle excise tax. The credit is equal to 100% of the excise tax imposed, not to exceed $3,000. A qualifying vehicle must have (1) a total purchase price of $63,000 or less and (2) for plug-in electric vehicles, 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 credit is available for qualified vehicles that are newly acquired and titled for the first time through June 30, 2020. MVA administers the credit.

Under Chapter 213 of 2019, MVA was authorized to award a maximum of $6.0 million in credits in fiscal 2020. Chapter 213 required MEA to transfer from SEIF to TTF the lesser of $6.0 million or the actual amount of tax credits allowed in the fiscal year.

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's RPS requires that renewable sources generate specified percentages of Maryland's electricity supply each year. Electric companies (utilities) and other electricity suppliers must submit renewable energy credits equal to these percentages in each year or else pay an ACP equivalent to the shortfall. ACP revenues are deposited into SEIF and may only be used to make loans and grants to support the creation of new Tier 1 renewable energy sources in the State that are owned by or directly benefit low-income residents of the State. Solar ACPs must be accounted for separately in the fund and may only be used to support the creation of new solar energy sources in the State that are owned by or directly benefit low-income residents of the State.

A low-income resident has an annual household income at or below 175% of the federal poverty line.

Background:

Qualified Electric Vehicle Excise Tax Credit

The plug-in electric vehicle and fuel cell electric vehicle excise tax credit, established by Chapter 490 of 2010, has provided tax credits for the purchase of qualified vehicles since fiscal 2011. The tax credit has been altered, expanded, and extended through legislation five times. The initial legislation did not limit the total credits allowed in each fiscal year. However, Chapters 359 and 360 of 2014 limited to $1.8 million the maximum amount of credits allowed in each fiscal year. Chapters 362 and 363 of 2017 increased the limitation to $3.0 million in fiscal 2018 through 2020. Chapter 213 of 2019 further increased the limit to $6.0 million for fiscal 2020. Chapter 213 also extended eligibility for the purchase of qualified fuel cell vehicles.

Legislation has authorized transfers from SEIF to offset part or all of the TTF revenue decreases due to the tax credit. These transfers are equal to:

- $279,000 in fiscal 2011;
- $939,600 in fiscal 2012;
- $1,287,000 from fiscal 2013 through 2017;
- $2,400,000 in fiscal 2018 and 2019; and
- $6,000,000 in fiscal 2020.

Alternative Compliance Payments – Renewable Energy Portfolio Standard

MEA indicates that while the accrual of ACP is currently limited, it anticipates that flexibility will be needed to make the best use of any potential growth in accrual in the future. Currently, solar ACPs can only be used for low-income solar projects, but MEA indicates that energy efficiency, fuel switching, and retrofitting efforts are better suited to providing energy and financial benefits to low-income homes. The bill is intended to provide MEA more flexibility to use ACP revenues in the most effective and efficient manner, and to allow for the use of ACP revenues for grants and programs in the transportation sector, the number one contributor to greenhouse gas emissions.

State Fiscal Effect: The bill requires that a vehicle excise tax credit for a qualified plug-in electric drive vehicle or fuel cell vehicle be issued from TTF, if an eligible application for the credit was submitted before January 1, 2021. MEA must transfer in fiscal 2022 and 2023 from SEIF to TTF the lesser of the actual credits allowed or $4.0 million.

Notwithstanding the funding limitations established by past legislation for the program, MVA created a waitlist for those applicants who did not receive funding due to the funding limitations. Based on information provided by the agency, it is estimated that, under this bill, waitlist applicants receive $8.5 million in tax credits.

It is assumed that MVA issues all tax credits in fiscal 2022. As a result, TTF revenues decrease by $4.5 million in fiscal 2022 and increase by $4.0 million in fiscal 2023, reflecting the net impact of the tax credits issued and SEIF transfers. SEIF revenues decrease by $4.0 million annually in fiscal 2022 and 2023, reflecting the transfers required by the bill. **Exhibit 1** shows the estimated State fiscal impacts resulting from the bill.

Exhibit 1
State Fiscal Impact

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues					
SEIF	($4,000,000)	($4,000,000)	$0	$0	$0
TTF	(4,500,000)	4,000,000	0	0	0
Total	**($8,500,000)**	**$0**	**$0**	**$0**	**$0**
TTF Expenditures	**($405,000)**	**$360,000**	**$0**	**$0**	**$0**

SEIF: Strategic Energy Investment Fund
TTF: Transportation Trust Fund

Source: Department of Legislative Services

A portion of TTF revenues are used to provide capital transportation grants to local governments. Accordingly, TTF expenditures decrease by $405,000 in fiscal 2022 and increase by $360,000 in fiscal 2023, as shown in Exhibit 1.

TTF revenues are used to fund the State capital program. MDOT advises that the revenue decrease resulting from the bill will require it to reduce its capital program by $20 million in fiscal 2022 through 2024 to maintain its debt service coverage ratio.

Local Revenues: Local governments receive a portion of vehicle excise tax revenues as local highway user revenues through capital transportation grants. Local highway user revenues decrease by approximately $405,000 in fiscal 2022 and increase by $360,000 million in fiscal 2023. Local governments may also be affected as potential beneficiaries of other SEIF-supported programs that may be funded at a lower level because of the transfers of SEIF funding.

Small Business Effect: DLS concurs with MEA that small businesses are not broadly affected, but individual businesses may be affected as recipients of electric vehicle excise tax credits or as potential beneficiaries of other SEIF-supported programs that may be funded at a lower level because of the transfers of SEIF funding.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 15, 2021
rh/lgc Revised - Correction - June 8, 2021

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Strategic Energy Investment Fund – Use of Funds and Electric Vehicle Excise Tax Credits

BILL NUMBER: SB152

PREPARED BY: Landon Fahrig – Legislative Liaison

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

__X__ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

OR

____ WILL HAVE A MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Small businesses that were eligible for, and applied for, the electric vehicle excise tax credit program before January 1, 2021, but did not receive it due to a lack of funding would now receive the full amount they are eligible for.