

**Department of Legislative Services**  
 Maryland General Assembly  
 2021 Session

**FISCAL AND POLICY NOTE**  
**Enrolled - Revised**

House Bill 44

(Delegate Fraser-Hidalgo)

Environment and Transportation

Finance and Budget and Taxation

**Clean Cars Act of 2021**

This bill reestablishes through fiscal 2023 the Electric Vehicle Recharging Equipment Rebate Program and increases to \$1.8 million the maximum amount of rebates the Maryland Energy Administration (MEA) may award in each year. The bill also requires (1) MEA to transfer the lesser of \$10.0 million or the actual total outstanding amount of qualified plug-in electric vehicle and fuel cell electric vehicle tax credits applied for prior to July 1, 2020, from the Strategic Energy Investment Fund (SEIF) to the Transportation Trust Fund (TTF) and (2) specified State agencies to submit to the General Assembly certain information on zero emission vehicles and the Vehicle Emissions Inspection Program (VEIP). **The bill takes effect July 1, 2021.**

**Fiscal Summary**

**State Effect:** SEIF revenues may decrease by \$8.0 million in FY 2022 due to the bill’s provision relating to the excise tax credit. SEIF expenditures increase by \$1.8 million annually in FY 2022 and 2023 due to the rebate program. TTF expenditures increase by \$0.3 million and general fund expenditures increase by \$0.2 million in FY 2022 due to contractual services. The FY 2022 budget includes \$1.2 million in funding for the rebate program and assumes a \$4.0 million reduction in SEIF revenues due to the excise tax credit.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	(\$8.0)	\$0	\$0	\$0	\$0
GF Expenditure	\$0.2	\$0	\$0	\$0	\$0
SF Expenditure	\$2.1	\$1.8	\$0	\$0	\$0
Net Effect	(\$10.3)	(\$1.8)	\$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

**Bill Summary:** By December 1, 2021, MEA, in consultation with the Maryland Department of Transportation, must submit a report to specified committees of the General Assembly on the impact of zero emission vehicles registered in the State on TTF.

The bill also requires MVA and the Maryland Department of the Environment (MDE) to submit a joint report to specified committees of the General Assembly, by January 15, 2022, on proposed changes to VEIP. The report must provide specified information regarding (1) legislative and regulatory changes necessary to effect proposed changes to the program; (2) the projected fiscal impact of the proposed changes on TTF; (3) information on how the proposed changes may impact air quality, and any discussions and approvals sought by the U.S. Environmental Protection Agency; and (4) an environmental justice analysis of the impact of running the program and assessing fees only on citizens who own older cars, and a recommendation on whether to pay VEIP expenses from vehicle registration fees. MVA may not select a proposed awardee for a new contract to operate VEIP prior to the submission of the report and may not award a contract to a new vendor before March 1, 2022.

### **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. The Motor Vehicle Administration (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 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.

*Vehicle Emissions Inspection Program*

All model year 1977 and newer vehicles in the State, unless specifically exempt, must be inspected and tested every two years. MVA and MDE must set the VEIP fee for each vehicle to be inspected and tested, which may not exceed \$14. The current fee is \$14. **Exhibit 1** shows the required tests by vehicle type and model year.

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**Exhibit 1  
Required VEIP Tests by  
Model Year and Vehicle Weight**

<u>Required Tests</u>	<u>Model Year</u>	<u>Vehicle Weight</u>
Gas Cap Test	1977 through 1995	8,501-26,000 pounds
On-board Diagnostic Test	1996 and newer (powered by gasoline or propane)	8,500 pounds or less
	2008 and newer (heavy duty vehicles)	8,501-14,000 pounds
Idle Exhaust Emissions Test	1977 through 1995 (powered by gasoline or propane)	8,501-26,000 pounds
	2008 and newer (heavy duty vehicles)	14,001-26,000 pounds

VEIP: Vehicle Emissions Inspection Program

Source: Motor Vehicle Administration

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Certain types of vehicles are currently exempt from VEIP, including:

- vehicles with a model year of 1976 or earlier;
- vehicles weighing more than 26,000 pounds (gross vehicle weight);
- vehicles powered solely by diesel or electric;
- motorcycles;

- vehicles registered as farm trucks, farm truck tractors, or farm area vehicles;
- historic or antique vehicles;
- new vehicles and qualified hybrids for the first 36 months after titling and registration;
- any fire apparatus owned or leased by the State of Maryland, a county, municipality, or volunteer fire department or rescue squad;
- ambulances;
- vehicles registered to owners age 70 or older, or vehicles registered with hard metal disabled tags, that are driven 5,000 miles per year or less (if co-owned, both owners must qualify for the waiver, and mileage must be recertified every two years to continue to receive the waiver);
- vehicles registered as Class N (street rod);
- military vehicles owned by the federal government and used for tactical, combat, or relief operations, or for training for these operations; and
- vehicles registered as Class H (school vehicle) or Class P (passenger bus).

**State Fiscal Effect:** The bill (1) reestablishes through fiscal 2023 the Electric Vehicle Recharging Equipment Rebate Program; (2) requires a transfer of the lesser of \$10.0 million or the amount of vehicle excise tax credits applied for prior to July 1, 2020; and (3) requires certain State agencies to submit reports to the General Assembly. **Exhibit 2** details the fiscal impact of the bill.

**Exhibit 2**  
**Fiscal Impact of Legislation**  
**Fiscal 2022-2026**  
**(\$ in Millions)**

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
<b><u>Revenues</u></b>					
<b>Vehicle Excise Tax Credit (SEIF)</b>	<b>(\$8.0)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b><u>Expenditures</u></b>					
<b>General Fund</b>					
MEA Study Expenses	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total GF</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Special Funds</b>					
Rebate Program (SEIF)	\$1.8	\$1.8	\$0.0	\$0.0	\$0.0
MDOT Study Expenses (TTF)	0.3	0.0	0.0	0.0	0.0
<b>Total SF</b>	<b>\$2.1</b>	<b>\$1.8</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Total Expenditures</b>	<b>\$2.3</b>	<b>\$1.8</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Net Effect</b>	<b>(\$10.3)</b>	<b>(\$1.8)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

TTF: Transportation Trust Fund  
SEIF: Strategic Energy Investment Fund

*Qualified Electric Vehicle Tax Credits*

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. Under the bill, taxpayers will be issued credits under existing program values and eligibility requirements for a taxpayer who by June 30, 2020, submitted a tax credit application for a vehicle acquired for use or lease by the taxpayer and purchased new and titled for the first time.

Based on information provided by the agency, it is estimated that, under this bill, waitlist applicants through June 30, 2020, will receive \$8.0 million in tax credits. Because the bill takes effect July 1, 2021, it is assumed that the transfer required under the bill (up to a maximum of \$10.0 million) occurs in fiscal 2022.

*Electric Vehicle Recharging Equipment Rebate Program*

MEA may award an annual maximum of \$1.8 million in rebates in fiscal 2021 through 2023. Notwithstanding the termination of the rebate program, the fiscal 2021 budget included \$1.8 million in funding for the program. Accordingly, SEIF expenditures increase by \$1.8 million annually in fiscal 2022 and 2023. The fiscal 2022 budget includes \$1.2 million in SEIF funds for the rebate program.

*Reporting Requirements*

The bill requires specified State agencies to submit to the General Assembly certain information on zero emission vehicles and VEIP. As a result, TTF expenditures increase by \$300,000 in fiscal 2022 and MEA general fund expenditures increase by \$200,000 to hire consultants necessary to conduct the required studies.

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**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 28, 2021  
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