

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 1391 (Delegate Fraser-Hidalgo, *et al.*)
 Environment and Transportation

Finance

Clean Cars Act of 2022

This bill (1) reestablishes the qualified plug-in electric vehicle and fuel cell electric vehicle excise tax credit and extends eligibility to certain vehicles; (2) establishes the Medium-Duty and Heavy-Duty Zero-Emission Vehicle Grant Program within the Maryland Energy Administration (MEA); and (3) requires, in specified fiscal years, certain transfers and appropriations from the Strategic Energy Investment Fund (SEIF). **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: SEIF expenditures increase by \$1.75 million annually in FY 2024 through 2027 due to the mandated appropriation for the grant program. SEIF revenues decrease by \$8.25 million annually in FY 2024 through 2027 due to the required transfers. **This bill establishes a mandated appropriation in FY 2024 through 2027.**

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$0	(\$8.25)	(\$8.25)	(\$8.25)	(\$8.25)
SF Expenditure	\$0	\$1.75	\$1.75	\$1.75	\$1.75
Net Effect	\$0.0	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)

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

Local Effect: Local government finances may be affected, as discussed below.

Small Business Effect: Potential meaningful. Small businesses may benefit from the proposed tax credits and grants.

Analysis

Bill Summary:

Zero-Emission Vehicle Excise Tax Credit

The bill reestablishes the qualified plug-in electric vehicle and fuel cell electric vehicle excise tax credit and alters certain eligibility requirements and tax credit values.

Subject to available funding, a person may claim an excise tax credit equal to (1) \$3,000 for each zero-emission plug-in electric drive or fuel cell electric vehicle purchased; (2) \$2,000 for each three-wheeled zero-emission electric motorcycle or autocycle purchased; or (3) \$1,000 for each two-wheeled zero-emission electric motorcycle purchased.

A zero-emission plug-in electric drive vehicle or fuel cell electric vehicle must meet certain requirements, including that the vehicle must (1) be acquired for use or lease by the taxpayer and be purchased new and titled for the first time beginning on July 1, 2023, through June 30, 2027, and (2) have a maximum base purchase price of \$50,000.

The credit is limited to 1 vehicle per individual and 10 vehicles per business entity.

The bill requires MEA to transfer annually, in fiscal 2024 through 2027, the lesser of \$8.25 million or the total amount of credits allowed against the excise tax from SEIF to the Transportation Trust Fund (TTF).

Medium-Duty and Heavy-Duty Zero-Emission Vehicle Grant Program

Subject to available funds, in fiscal 2024 through 2027, a person or unit of local government may apply to MEA for a grant of up to 20% of the cost for qualified medium-duty or heavy-duty zero-emission vehicles, vehicle supply equipment, and heavy equipment property.

A qualified medium-duty or heavy-duty zero-emission vehicle is a motor vehicle that is (1) rated at more than 8,500 pounds unloaded gross weight and (2) powered by electricity that is stored in a battery or produced by a hydrogen fuel cell. Vehicle supply equipment is property in the State that is used for recharging or refueling medium-duty or heavy-duty zero-emission vehicles or zero-emission heavy equipment property. Heavy equipment property is construction, earthmoving, or industrial heavy equipment, including any attachment for the equipment, that is mobile and does not use an internal combustion engine.

For fiscal 2024 through 2027, the Governor is required to include in the annual budget an appropriation from SEIF of at least \$1.75 million to the program, of which at least \$1.0 million is for grants for qualified medium-duty and heavy-duty zero-emission vehicles and \$750,000 is for grants for heavy equipment property.

Current Law:

Qualified Electric Vehicle Excise Tax Credits

Subject to available funding, a credit against the vehicle excise tax was available to a person who purchased a qualified plug-in electric vehicle or a qualified fuel cell electric vehicle. The credit was 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 was available for qualified vehicles that were newly acquired and titled for the first time through June 30, 2020. The Motor Vehicle Administration administered the credit.

Legislation authorized the transfer of specified amounts of SEIF to TTF to offset the cost of vehicle tax credits.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and 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.

State Fiscal Effect: The bill (1) establishes an excise tax credit for certain zero-emission vehicles; (2) establishes the Medium-Duty and Heavy-Duty Zero-Emission Vehicle Grant Program; and (3) requires in specified fiscal years certain transfers and appropriations from SEIF. **Exhibit 1** shows the projected State fiscal impact.

Exhibit 1
State Fiscal Effect
(\$ in Millions)

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
SEIF Expenditures					
Medium- and Heavy-Duty Zero-Emission Vehicle Grant Program	\$0	\$1.75	\$1.75	\$1.75	\$1.75
Total Expenditures	\$0	\$1.75	\$1.75	\$1.75	\$1.75
SEIF Revenues					
Zero-Emission Vehicle and Property Excise Tax Credits	\$0	(\$8.25)	(\$8.25)	(\$8.25)	(\$8.25)
Total Revenues	\$0	(\$8.25)	(\$8.25)	(\$8.25)	(\$8.25)
Net Effect	\$0	(\$10.00)	(\$10.00)	(\$10.00)	(\$10.00)

SEIF: Strategic Energy Investment Fund

Source: Department of Legislative Services

Zero-Emission Vehicle Excise Tax Credits

The bill establishes excise tax credits for certain zero-emission vehicles and requires in specified fiscal years certain transfers from SEIF for the program. The Maryland Department of Transportation advises that the department will provide tax credits up to the annual funding amount that is available from SEIF. As a result, SEIF revenues decrease by \$8.25 million annually in fiscal 2024 through 2027 due to the required transfers.

Medium-Duty and Heavy-Duty Zero-Emission Vehicle Grant Program

The Governor must include in the annual budget bill for fiscal 2024 through 2027 an appropriation of at least \$1.75 million annually from SEIF to the program. Assuming the minimum amount is appropriated in each year, SEIF expenditures increase by \$1.75 million annually in fiscal 2024 through 2027.

Local Fiscal Effect: Units of local government are authorized to apply for a grant under the Medium-Duty and Heavy-Duty Zero-Emission Vehicle Grant Program. Accordingly, local grant revenues and expenditures may increase.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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