

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 64 (Delegate J. Lewis)
Environment and Transportation

Motor Vehicle Excise Tax - Tax Credit for Electric Vehicles - Eligibility

This bill expands eligibility for the electric vehicle excise tax credit to include qualifying electric vehicles that are purchased used and titled on or after July 1, 2024, and before July 1, 2027. Under current law, eligibility is limited to qualifying electric vehicles that are purchased new and titled on or after July 1, 2023, and before July 1, 2027. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: The bill is not expected to affect State revenues, as discussed below. The Maryland Department of Transportation (MDOT) can implement the bill’s changes with existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal overall, but potential meaningful for a small business that receives a tax credit as a result of the bill.

Analysis

Current Law: Chapter 234 of 2022 reestablished the plug-in electric vehicle and fuel cell electric vehicle excise tax credit and altered 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. The credit is limited to the acquisition of one vehicle per individual and 10 vehicles per business entity.

To qualify for the credit, a zero-emission plug-in electric drive vehicle or fuel cell electric vehicle must be acquired for use or lease by the taxpayer; be purchased new and titled for the first time on or after July 1, 2023, but before July 1, 2027; and have a base purchase price of up to \$50,000, among other requirements.

The Motor Vehicle Administration is responsible for administering the electric vehicle excise tax credit. Chapter 234 requires the Maryland Energy Administration to transfer, in each of fiscal 2024 through 2027, the lesser of \$8.25 million or the total amount of credits allowed against the excise tax from the Strategic Energy Investment Fund to the Transportation Trust Fund to offset the reduction in revenues resulting from the excise tax credit.

State Revenues: MDOT advises that demand for the electric vehicle excise tax credit currently exceeds the maximum authorized funding level, which is unaltered by the bill. Thus, the bill is not anticipated to affect the overall cost of the tax credit program. To the extent vehicle excise tax credits are awarded for the purchase of qualifying used electric vehicles, less funding is available for tax credits for qualifying new electric vehicle purchases.

For context, MDOT identified approximately 1,100 used zero-emission electric vehicle transactions with a sale price of less than \$50,000 in fiscal 2022 and approximately 2,200 such transactions in fiscal 2023. As a point of comparison, with a typical credit amount of \$3,000 per qualifying vehicle, the maximum annual funding amount of \$8.25 million in fiscal 2024 through 2027 translates to approximately 2,750 individual credits per year.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

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