

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 689

(Delegate Fraser-Hidalgo, *et al.*)

Environment and Transportation

Budget and Taxation

Electric Vehicles – Repeal of Excise Tax Credit and Establishment of Rebate Program

This bill repeals the electric vehicle excise tax credit and establishes the Electric Vehicle Rebate Program. Rebate eligibility requirements, amounts, and funding provisions generally mirror the existing excise tax credit program. Among other requirements, a participating dealer must provide the rebate to an eligible buyer at the time the buyer purchases an eligible vehicle. The rebate must be in the form of a reduction of the vehicle’s purchase price equal to the full amount of the allowable rebate. (However, the rebate does not affect the vehicle’s “total purchase price” for purposes of the vehicle excise tax.) The Motor Vehicle Administration (MVA) must administer the rebate program and establish a program website. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The bill is not expected to affect State revenues. MVA can likely implement the rebate program with existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: On at least a daily basis, a participating dealer must report to MVA through the program website each sale of a vehicle for which the dealer provided a rebate. MVA must require a dealer to report through the program website information regarding vehicles sold that MVA considers necessary to administer the rebate program; the

information must be substantially similar to the information required by the Internal Revenue Service for dealers to receive a transfer of the federal clean vehicle credit or previously owned clean vehicle credit. In addition, MVA must:

- establish a process through which a dealer may claim reimbursement through the program website for rebates provided by the dealer;
- process claims for reimbursement as expeditiously as practicable;
- pay all reimbursements from TTF; and
- monitor the aggregate amount of rebates awarded each fiscal year and notify dealers through the program website when available funding for the fiscal year is exhausted and no further rebates may be provided.

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 auticycle 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. (*Under the bill*, the rebate applies to qualifying vehicles purchased new and titled for the first time on or after July 1, 2025, but before July 1, 2027.)

MVA is responsible for administering the electric vehicle excise tax credit. Chapter 234 requires the Maryland Energy Administration (MEA) 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 (SEIF) to TTF to offset the reduction in revenues resulting from the excise tax credit. (*Under the bill*, in fiscal 2026 and 2027, the required transfers offset the cost of rebates issued under the program, subject to the existing \$8.25 million limit in each of these years.)

State Fiscal Effect: As discussed above, the bill effectively converts the existing electric vehicle excise tax credit program into a rebate program. Consistent with the existing excise tax credit program, in each of fiscal 2026 and 2027, MEA must transfer the lesser of \$8.25 million or the total amount of rebates allowed for the fiscal year from SEIF to TTF to offset the cost of the rebates. Based on the State's experience under the excise tax credit

program, it is assumed that demand for the rebate program will be sufficient to maximize allowable funding. Thus, the bill is not expected to affect State revenues. MVA can likely administer the rebate program with existing budgeted resources.

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; Department of Budget and Management; Maryland Department of Transportation; Maryland Energy Administration; Department of Legislative Services

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