



February 13, 2022

The Honorable Paul Pinsky  
Chair, Senate Education, Health and Environmental Affairs Committee  
2 West  
Miller Senate Office Building  
Annapolis, Maryland 21401

**SB 126: New Motor Vehicles – Pollution Fee**  
**Position: Unfavorable**

Chair Pinsky:

On behalf of the Alliance for Automotive Innovation (Auto Innovators), we are writing to express our **opposition to SB 126**, which seeks to enact a significant tax on vehicles many people need for their daily lives and work while exempting certain vehicles from the same requirement. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents automakers producing nearly 99 percent of cars and light trucks sold in the U.S., major Tier 1 suppliers, as well as other automotive technology companies.

Auto Innovators and its members have been supportive of Maryland’s efforts to fund an electric vehicle incentive program, EV charging infrastructure buildout, and a host of other policies that will spur electric vehicle adoption. We are committed to the long-term goals of lower carbon transportation, and our companies are actively working to reduce greenhouse gas and criteria emissions, improve vehicle fuel economy, and increase the number of advanced technology vehicles.<sup>1</sup> Vehicles on the road today produce near-zero levels of tailpipe criteria emissions, a 99% improvement over vehicles in the 1970’s, and on average, vehicles have increased fuel efficiency by 30% since 2004.<sup>2</sup>

Auto Innovators and its members strongly oppose the establishment of an automobile feebate tax regime for a host of pressing reasons:

**Feebates burden families and small businesses that need disfavored vehicles**

Maryland residents and businesses who need trucks, vans, SUVs, or full-size cars will generally have to pay a significant new tax under SB 126. This is essentially a tax on vehicles many people need for their daily lives and work. **Our initial estimate of the impact of SB 126 shows that 46% of all MY22<sup>3</sup> vehicles may be subject to an average tax of over \$600.**

The revenue collected from this segment provides the vast majority of monies needed to fund the rebate portion of this proposal. Unlike an increase in the gas tax – wherein all drivers pay a small amount of tax at each fill-up - this one segment of your constituents will be saddled with an enormous fee. Proponents would argue that the car buyer can choose to purchase a more efficient

<sup>1</sup> <https://www.autosinnovate.org/posts/press-release/ev-policy-letter-to-president-biden>

<sup>2</sup> U.S. EPA. “Automotive Trends Report: Highlights of the Automotive Trends Report.” <https://www.epa.gov/automotive-trends/highlights-automotive-trends-report>.

<sup>3</sup> MY2023 has not begun yet, so the analysis is based on MY2022.

vehicle, but this ignores the fact that someone must pay this fee to keep the feebate structure in balance. It also ignores that there is the potential the fee still applies to the more fuel-efficient option, depending on the design and implementation of the feebates.

### **Better Policy Options Exist**

Instead of a feebate scheme, Maryland should consider adoption of a low carbon fuel standard. A low carbon fuel standard (LCFS) not only supports EVs but can also further reduce emissions from every vehicle already on the road. In the context of climate change, market-based mechanisms are widely understood to encourage emissions reductions in the most efficient way, especially when broadly applied. Properly structured, a LCFS reduces the carbon intensity (CI) of gasoline and diesel fuel either directly or by funding low CI alternatives, such as PHEVs, BEVs, and FCEVs and the required infrastructure to support the use of these vehicles. A LCFS can also provide a source of revenue for transportation-related investments and improvements.

In addition, many states have used funds from RGGI to support EVs, some have applied sales tax exemptions, and others have prioritized budget funding to provide a strong policy signal but do not disadvantage customers through fees on other types of vehicles.

### **Feebates distort the marketplace**

Feebates, by definition, are designed to put the state's thumb on the scale of a competitive marketplace, deciding winners and losers by granting of a rebate or assessing a fee. This action will surely have an impact in the market, but legislators should think carefully about what changes are most likely to occur, and if those are the changes they would like to see. A feebate program may not only push a consumer to consider a more fuel-efficient vehicle. To avoid paying a fee on a vehicle that would otherwise be subject to it, consumers would likely look to used vehicle options or to make purchases out of state which will negatively impact Maryland auto dealers. Moreover, the design, implementation, and management of a feebate program can be tricky as all vehicles become more fuel efficient.

Auto Innovators and our members remain committed to working with Maryland to adopt supportive policies for EV adoption, but must oppose policies that unduly burden consumers, particularly when better policy options exist to reduce carbon intensity and promote adoption of EVs.

Thank you in advance for your consideration of our views. For more information, please contact our local representative, Bill Kress, at (410) 375-8548.

Respectfully submitted,



Josh Fisher  
Director, State Affairs