

SB 692_CBF_FAV.pdf

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Position: FAV



CHESAPEAKE BAY FOUNDATION

*Environmental Protection and Restoration
Environmental Education*

Senate Bill 692

Income Tax – Credit for Purchase of Zero-Emission and Hybrid Mobile Machinery

Date: March 9, 2023
To: Budget & Taxation Committee

Position: **Support**
From: Doug Myers,
Maryland Senior Scientist

Chesapeake Bay Foundation (CBF) **SUPPORTS** SB 692 which creates a tax credit for Maryland businesses that purchase Zero Emissions or Hybrid vehicles.

Maryland's ambitious greenhouse gas reduction goals can only be met with maximum participation by all sectors; public and private. The extension of a tax credit for businesses to purchase lower emissions vehicles not only incentivizes greenhouse gas reductions directly, but also sends an important market signal to manufacturers to expand, diversify and lower the prices of these vehicles for more widespread adoption.

CBF's engagement in greenhouse gas reduction policy addresses important climate science pointing out the need for rapid decarbonization of our economy as well as accomplishing reductions of nitrogen oxides from all forms of combustion that are currently contributing up to a third of nitrogen loading to the Bay.

CBF urges the Committee's FAVORABLE report on SB 692.

For more information, please contact Matt Stegman, Maryland Staff Attorney, at mstegman@cbf.org.

Maryland Office • Philip Merrill Environmental Center • 6 Herndon Avenue • Annapolis • Maryland • 21403

The Chesapeake Bay Foundation (CBF) is a non-profit environmental education and advocacy organization dedicated to the restoration and protection of the Chesapeake Bay. With over 300,000 members and e-subscribers, including over 109,000 in Maryland alone, CBF works to educate the public and to protect the interest of the Chesapeake and its resources.

SB692_MDSierraClub_fav - 9March2023.pdf

Uploaded by: Josh Tulkin

Position: FAV



P.O. Box 278
Riverdale MD 20738

Committee: Budget and Taxation
Testimony on: SB 692 – “Income Tax – Credit for Purchase of Zero-Emission and Hybrid Mobile Machinery”
Position: Support
Hearing Date: March 9, 2023

The Maryland Chapter of the Sierra Club supports SB 692, which would allow a credit against the State income tax for the purchase of zero-emission and hybrid mobile machinery for use in the taxpayers’ businesses or for rental or lease to the general public. Mobile machinery is defined by the IRS as a vehicle to which machinery or equipment is permanently mounted for use in construction, drilling, farming, manufacturing, mining, processing, timbering, or similar operation that is unrelated to transportation on or off public highways. The tax credit would be available for taxable years beginning after December 31, 2023, but before January 1, 2033.

The credit allowed each year for zero-emission mobile machinery would be an amount equal to the lesser of 30% of the purchase price of the machinery, or \$5,000 if the mobile machinery has a gross vehicle weight under 14,000 lbs., or \$10,000 if the mobile machinery has a gross vehicle weight of 14,000 lbs. or more. The credit allowed for hybrid mobile machinery (capable of drawing propulsion energy from gas or diesel fuel and a rechargeable energy storage system) would be an amount equal to the lesser of 15% of the purchase price of the machinery, or the same dollar amounts as could be used for zero-emission mobile machinery based on gross vehicle weight. If the total amount of credit allowed would exceed the state income tax imposed for the taxable year, the excess credit could be applied against state income tax for succeeding years.

Incentivizing purchase of zero-emission mobile machinery makes sense because the machinery emits no climate-damaging greenhouse gas emissions or health-damaging toxic pollution from its tailpipe and has much lower fuel and maintenance costs than mobile machinery that run on fossil fuels. Incentivizing purchase of hybrid mobile machinery also make sense because the rechargeable energy storage system enables less fossil fuel usage than conventional mobile machinery that is powered only by gasoline or diesel. Fossil fuel-powered vehicles are the largest source of greenhouse gas emissions in our country and state. Toxic emissions from the tailpipes of gas and diesel-powered vehicles are linked to various cancers, heart disease, asthma, emphysema, other respiratory diseases, and premature death. Gas and diesel-powered vehicles also contribute to ozone, smog, and acid rain. More than 85% of Marylanders live in counties that do not meet federal clean air standards for ozone, due in large part to vehicle tailpipe emissions.

Legislation in recent years has focused on rebates or tax credits to encourage purchase of electric cars, trucks, buses and EV charging equipment. Passage of SB 692 would make tax credits available to encourage purchase of zero-emission and hybrid mobile machinery by businesses in our state. This would help reduce greenhouse gas emissions and toxic pollution which would be good for the climate and public health, especially the health of workers using the machinery. We urge a favorable report on this bill.

Brian Ditzler
Chapter Transportation Chair
Brian.Ditzler@MDSierra.org

Josh Tulkin
Chapter Director
Josh.Tulkin@MDSierra.org

Founded in 1892, the Sierra Club is America’s oldest and largest grassroots environmental organization. The Maryland Chapter has over 70,000 members and supporters, and the Sierra Club nationwide has over 800,000 members and nearly four million supporters.

sb692test - Credit for Purchase of Zero Emmission

Uploaded by: Marcus Jackson

Position: FAV



**Associated Builders
and Contractors, Inc.**

**Maryland Joint
Legislative Committee**

The Voice of Merit Construction

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March 9, 2023

TO: BUDGET AND TAXATION COMMITTEE

FROM: ASSOCIATED BUILDERS AND CONTRACTOR

**RE: S.B. 692 – CREDIT FOR PURCHASE OF ZERO-EMISSION
AND HYBRID MOBILE MACHINERY**

POSITION: SUPPORT

Associated Builders and Contractors (ABC) supports S.B. 692 which is before you today for consideration.

The bill will allow for a credit against the State income tax for the purchase of certain zero-emission and hybrid mobile machinery during taxable years 2023 through 2032 by certain taxpayers for use in the taxpayers' businesses or for rental or lease to the public.

As regulations are adopted that place limits on noise and emissions, demand is increasing for efficient, clean, quiet jobsite equipment. The equipment industry is now transitioning to greener machines that would help in that effort. This tax credit would help incentivize construction companies to use more efficient and environmentally friendly products and processes.

On behalf of the over 1,500 ABC members in Maryland, we respectfully request a favorable report on S.B. 692.

Marcus Jackson, Director
Government Affairs

SB692 Sponsor Testimony.pdf

Uploaded by: Senator Nancy King

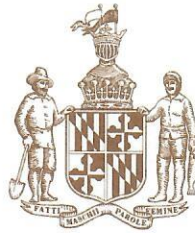
Position: FWA

NANCY J. KING
Legislative District 39
Montgomery County

MAJORITY LEADER

Budget and Taxation Committee

Chair
Education, Business and
Administration Subcommittee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

SPONSOR STATEMENT

**Senate Bill 692 – Income Tax – Credit for Purchase of Zero-Emission
and Hybrid Mobile Machinery**

March 9, 2023

Mister Chairman and Members of the Budget and Taxation Committee:

In the 2022 legislative session we made changes to some programs for the purchase of zero emission vehicles and heavy equipment. While this was a step forward in promoting the use of zero emission vehicles and heavy equipment, those programs do not provide the certainty needed for businesses to plan for the multi-year procurement of equipment.

Senate Bill 692 will expand on last year's legislation by providing credit against the corporate income tax for the purchase of zero and hybrid emissions mobile machinery for use in the taxpayer's business or for rental or lease to the general public. This legislation will create the certainty needed for businesses to initiate purchases and provides a time frame for them to do it in, and reflects the reality that most contractors rent a majority of the equipment they use in their business.

Providing a tax credit for the rental industry will help offset the significant upfront cost for zero emission fleet and facilitate the adoption of this equipment by contractors and other end users in Maryland by making it more competitive with comparable gas or diesel equipment. Senate Bill 692 provides simplicity as it incorporates many of the definitions and policies from the federal Inflation Reduction Act passed in 2022, making it easier for compliance.

This legislation also includes a sunset on December 31, 2032. This follows the federal sunset dates and should be far enough out to where prices for zero-emission equipment reaches scale.

I am also offering a few technical amendments to this bill that do the following:

1. Clarifies that an “eligible taxpayer” is a person that has a place of business in the state instead of their Headquarters.
2. Clarifies that an “eligible taxpayer” derives at least 51% of their annual revenue from the rental or lease of tangible personal property rather than just mobile machinery. These businesses rent all types of equipment, not just mobile equipment with an engine.
3. For Hybrid engines, the current language only includes gas or diesel engines. This amendment just adds other fuels intended to be used in an internal combustion engine. This would include propane, hydrogen, natural gas, and other alternative fuels that have yet to be created.
4. Removes additional requirements for zero emissions mobile machinery and relies on the Federal Commercial Clean Vehicle program per 45W of the IRS Code. I don’t believe we should be going beyond the feds and we certainly don’t want to add any additional unnecessary administrative work or create any unintended consequences.

New zero-emission equipment will be costlier than comparable diesel and gas powered equipment. If we are serious about making the transition to greener technologies, we need to provide meaningful and comprehensive incentives. This legislation will encourage businesses to initiate the transition to zero emission fleet and so I respectfully request a favorable report on Senate Bill 692 with amendments.

SB 692_MAA_UNF.pdf

Uploaded by: Rachel Clark

Position: UNF

CHAIRMAN:
Jeff Graf
VICE CHAIRMAN
David Slaughter

MARYLAND ASPHALT ASSOCIATION



TREASURER:
Paul Bramble
SECRETARY:
Curtis Hall
PRESIDENT:
G. Marshall Klinefelter

March 9, 2023

Senator Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 692 – UNFAVORABLE – Income Tax - Credit for Purchase of Zero-Emission and Hybrid Mobile Machinery

Dear Chair Guzzone and Members of the Budget and Taxation Committee:

The Maryland Asphalt Association (MAA) is comprised of 19 producer members representing more than 48 production facilities, 25 contractor members, 25 consulting engineer firms and 41 other associate members. MAA works proactively with regulatory agencies to represent the interests of the asphalt industry both in the writing and interpretation of state and federal regulations that may affect our members. We also advocate for adequate state and federal funding for Maryland's multimodal transportation system.

Senate Bill 692 would allow Maryland taxpayers to claim a credit against the State income tax for the purchase of hybrid mobile machinery or zero-emission mobile machinery to be used in the taxpayer's business or for rental or lease to the general public. The amount of this credit would depend on the weight of the mobile machinery and whether the equipment was an electric hybrid or full zero-emissions.

MAA opposes Senate Bill 692 because the bill as drafted fails to consider several overlooked aspects of the transition to electric and other zero-emission vehicles and large-scale equipment, primarily the additional impact on the State's electric grid. Without first conducting an extensive analysis of that and related topics, such as the environmental impact of the construction of the storage and disposal facilities that will be necessary to process the inevitable influx of spent batteries, fuel cells, and other critical components of these vehicles and equipment, it would be unwise and unsafe for the State to be promoting their use with the extension of valuable tax credits like those proposed by Senate Bill 692.

We appreciate you taking the time to consider our request for an UNFAVORABLE report on Senate Bill 692.

Sincerely,

Marshall Klinefelter
President
Maryland Asphalt Association

SB 692_MTBMA_UNF.pdf

Uploaded by: Rachel Clark

Position: UNF



March 9, 2023

Senator Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 692 – UNFAVORABLE – Income Tax - Credit for Purchase of Zero-Emission and Hybrid Mobile Machinery

Dear Chair Guzzone and Members of the Budget and Taxation Committee:

The Maryland Transportation Builders and Materials Association (MTBMA) has been and continues to serve as the voice for Maryland's construction transportation industry since 1932. Our association is comprised of 200 members. MTBMA encourages, develops, and protects the prestige of the transportation construction and materials industry in Maryland by establishing and maintaining respected relationships with federal, state, and local public officials. We proactively work with regulatory agencies and governing bodies to represent the interests of the transportation industry and advocate for adequate state and federal funding for Maryland's multimodal transportation system.

Senate Bill 692 would allow Maryland taxpayers to claim a credit against the State income tax for the purchase of hybrid mobile machinery or zero-emission mobile machinery to be used in the taxpayer's business or for rental or lease to the general public. The amount of this credit would depend on the weight of the mobile machinery and whether the equipment was an electric hybrid or full zero-emissions.

MTBMA opposes Senate Bill 692 because the bill as drafted fails to consider several overlooked aspects of the transition to electric and other zero-emission vehicles and large-scale equipment, primarily the additional impact on the State's electric grid. Without first conducting an extensive analysis of that and related topics, such as the environmental impact of the construction of the storage and disposal facilities that will be necessary to process the inevitable influx of spent batteries, fuel cells, and other critical components of these vehicles and equipment, it would be unwise and unsafe for the State to be promoting their use with the extension of valuable tax credits like those proposed by Senate Bill 692.

We appreciate you taking the time to consider our request for an UNFAVORABLE report on Senate Bill 692.

Thank you,

Michael Sakata
President and CEO
Maryland Transportation Builders and Materials Association

SB0692 - TSO - Income Tax Credit - LOI_FINAL.pdf

Uploaded by: Patricia Westervelt

Position: INFO

March 9, 2023

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis MD 21401

Re: Letter of Information – Senate Bill 692 – Income Tax – Credit for Purchase of Zero-Emission and Hybrid Mobile Machinery

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 692 but offers the following information for the Committee’s consideration.

Senate Bill 692 allows certain taxpayers a credit against the State income tax for the purchase of certain zero-emission and hybrid mobile machinery for use in the taxpayer’s businesses or for rental or lease to the general public. The credit will be available during taxable years 2023 through 2032.

The transportation sector accounts for over one-third of the greenhouse gas emissions in Maryland, and on-road vehicles represent a significant portion of emissions. To reduce emissions from vehicles on and off Maryland roads, the MDOT has worked closely with the Maryland Department of the Environment, the Maryland Energy Administration, and other key partners to implement strategies that advance the electrification of vehicles for private- and commercial-uses. Senate Bill 692 will offer an incentive for the purchase of Zero Emission Vehicles that will help promote the adoption and use of electric vehicles by Maryland businesses and residents, whether that be for on- or off-road vehicles.

Senate Bill 692 currently uses the term “Mobile Machinery” to mean a “qualified commercial clean vehicle under §45W of the Internal Revenue Code;” however, MDOT recommends “Mobile Machinery” be removed and replaced with “Qualified Commercial Clean Cars” to ensure consistency with §45W of the Internal Revenue Code and to avoid confusion with other mobile machinery.

To the extent that eligible taxpayers claim a credit on their corporate income taxes, MDOT notes that corporate tax income revenues are distributed to the State’s General Fund, The Transportation Trust Fund, and the Higher Education Investment Fund. Furthermore, the amount distributed to the Transportation Trust Fund is included in the revenues that are used to calculate the amount of highway user grants to local jurisdictions. Thus, the passage of Senate Bill 692 will reduce transportation funding available to MDOT and local jurisdictions, but the amount is unquantifiable and will depend on usage of the program.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating Senate Bill 692.

Respectfully submitted,

Heather Murphy
Director of Planning and Capital Programming
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Maryland Department of Transportation
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