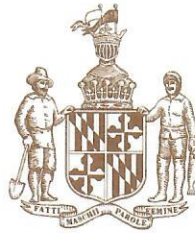


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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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.