
February 1, 2024

The Honorable Marc Korman
Chair, House Environment and Transportation Committee
251 House Office Building
Annapolis MD 21401

RE: Letter of Support – House Bill 64 – Motor Vehicle Excise Tax – Tax Credit for Electric Vehicles - Eligibility

Dear Chair Korman and Committee Members:

The Maryland Department of Transportation (MDOT) supports House Bill 64, as it supports the State’s Electric Vehicle (EV) adoption goals, advances equity and affordability in the EV market, and aligns Maryland incentives with federal EV incentives. MDOT would also like to note some considerations for the implementation of House Bill 64, as outlined below.

House Bill 64 expands the eligibility for Maryland’s vehicle excise tax credit to used zero-emission plug-in electric drive vehicles (ZEVs) and fuel cell electric vehicles (FCEVs). The expanded eligibility would apply to used ZEVs and FCEVs purchased and titled on or after July 1, 2024 through July 1, 2027. The vehicle excise tax credit is currently limited to purchase of new ZEVs and FCEVs purchased on or after July 1, 2023, through June 30, 2027.

To meet greenhouse gas reduction goals and respond to climate change, the State has a goal of 1.1 million EVs on the road by 2030. The motor vehicle excise tax credit has been an effective incentive to promote the adoption of EVs. Since the beginning of Fiscal Year 2021, Maryland has seen an increase of 260% in the number of EVs registered in the State. With over 92,000 EVs registered, EVs now make up just under 2% of all vehicles registered.

By expanding the tax credit under House Bill 64 to include used vehicles, it would help to incentivize those who would otherwise be unable to purchase a new EV, due to potential higher costs as compared to internal-combustion engine alternatives in the used vehicle market, to consider a used Z/FCEV rather than a used ICE vehicle. The Maryland tax credit would further align with the federal consumer tax credit enacted through the Inflation Reduction Act (IRA).

The bill would be strengthened if it addressed provisions associated with the federal tax credit that ensure effective and fair utilization and avoid “gaming” of the secondary vehicle market. The federal tax credit includes a provision that the buyer may not have received another used clean vehicle credit in the three years before the purchase date. The model year of the vehicle must be at least two years before the calendar year when purchased, and the vehicle may not have been previously transferred to a qualified buyer. While the existing Maryland excise tax credit prevents previous recipients from qualifying for new refunds, no such provision exists currently for used Z/FCEVs that change hands quickly as compared to federal provisions.

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Such consideration for strengthening the proposed legislation is important given the pool of funding available compared to interest in the excise tax refund program. House Bill 64 would increase the pool of eligible vehicles qualifying for excise tax rebates by at least 21%. However, the federal credit would not affect the state refund amount, a flat sum of \$3,000 per eligible vehicle, provided via Maryland's finite sum to draw from in each fiscal year. As a result, the department's fiscal note on the proposed legislation estimated the effect would be to deplete all available Strategic Energy Investment Fund in FY24 by November 2023, without additional funding.

For these reasons, the Maryland Department of Transportation respectfully requests the Committee grant House Bill 64 a favorable report.

Respectfully submitted,

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Maryland Department of Transportation
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