HB 1180

Department of Legislative Services

Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1180 (Delegate Fraser-Hidalgo, *et al.*)
Environment and Transportation

Maryland Energy Administration - Plug-In Electric Drive Vehicle Rebate Program

This bill establishes a Plug-In Electric Drive Vehicle Rebate Program, administered by the Maryland Energy Administration (MEA), to provide a total amount of rebates of up to $8 million each fiscal year from fiscal 2021 through 2023. The bill also requires that, in fiscal 2021 through 2023, the lesser of $8 million or the actual total amount of rebates issued be transferred from the Strategic Energy Investment Fund (SEIF) to the general fund to offset the cost of the program. **The bill takes effect July 1, 2020, and terminates June 30, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by $8.6 million from FY 2021 through 2023. General fund revenues increase by $8.0 million annually, and special fund revenues decrease by $8.0 million annually, from FY 2021 through 2023.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	$0	$8,000,000	$8,000,000	$8,000,000	$0
SF Revenue	$0	($8,000,000)	($8,000,000)	($8,000,000)	$0
GF Expenditure	$0	$8,643,900	$8,620,100	$8,641,000	$0
Net Effect	$0	($8,643,900)	($8,620,100)	($8,641,000)	$0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local governments benefit from access to rebate funding but may also be negatively affected by decreased funding for financial assistance programs under SEIF.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: For fiscal 2021 through 2023, an individual, a business entity, or a unit of State or local government may apply to MEA for a plug-in electric drive vehicle rebate for the cost of acquiring a plug-in electric drive vehicle. For each fiscal year, the total amount of rebates issued by MEA may not exceed $8 million. Notwithstanding any other provision of law, for fiscal 2021 through 2023, the lesser of $8 million or the actual total amount of rebates issued must be transferred from SEIF to the general fund to offset the cost of the program. The bill expands the statutory uses of SEIF to include reimbursing the general fund for the costs that result from the rebate program.

Under the program, MEA may issue a plug-in electric drive vehicle rebate:

- for a new vehicle in an amount equal to the lesser of (1) the product of $100 and the number of kilowatt-hours of battery capacity of the vehicle or (2) $3,000; and
- for a used vehicle in an amount equal to the lesser of (1) the product of $100 and the number of kilowatt-hours of battery capacity of the vehicle or (2) $1,500.

The program applies only to a plug-in electric drive vehicle that (1) has not been modified from original manufacturer specifications; (2) is acquired for use or lease by the owner and not for resale; (3) has a total purchase price not exceeding $60,000; (4) has a battery capacity of at least 5.0 kilowatt-hours; and (5) is purchased new or used on or after July 1, 2020, but before July 1, 2023.

The rebates are limited to the acquisition of (1) 1 vehicle per individual and (2) 10 vehicles per business entity or unit of State or local government. A rebate may not be claimed (1) for a vehicle unless the vehicle is registered in the State or (2) unless the manufacturer has already conformed to any applicable State or federal laws or regulations governing clean-fuel vehicle or electric vehicle purchases applicable during the calendar year in which the vehicle is titled.

MEA may adopt regulations to carry out the program.

Current Law:

Qualified Vehicle Tax Credits

State Credit

Subject to available funding, a person who purchases a qualified plug-in electric vehicle may claim a credit against the vehicle excise tax. The credit is available for qualified vehicles that are newly acquired and titled for the first time through June 30, 2020.

The value of the credit is equal to $100 times the number of kilowatt-hours battery capacity of the vehicle, subject to a maximum of $3,000. A qualifying vehicle must have (1) a total purchase price of $60,000 or less and (2) a battery capacity of at least 5.0 kilowatt-hours. The credit is limited to 1 vehicle per individual and 10 vehicles per business entity.

The Motor Vehicle Administration (MVA) is authorized to award an annual maximum of $3.0 million in credits in fiscal 2018 through 2020. In each fiscal year the lesser of $2.4 million or the actual amount of tax credits allowed in the fiscal year must be transferred from SEIF to the Transportation Trust Fund (TTF).

Aside from the differences in timing and funding of the vehicle excise tax credit versus the bill's rebate program, the criteria and provisions applicable to the credit are largely equivalent to those for the rebate program under the bill, with the exception of (1) the rebate program allowing for rebates to be issued for used vehicles and (2) the rebate program allowing for a unit of State or local government to apply for the incentive.

Federal Credit

Qualified all-electric and plug-in hybrid vehicles may also qualify for a federal income tax credit of up to $7,500. The tax credit will begin to phase out for vehicles produced by a manufacturer that has sold a total of 200,000 qualified plug-in hybrid vehicles (cumulative sales since December 31, 2009). The Internal Revenue Service announced that as of January 1, 2019, the tax credit will begin to phase out for vehicles that are manufactured by Tesla Motors. General Motors expects that the tax credit for its vehicles will begin to phase out later in calendar 2019. Analysts project that in calendar 2021 through 2025, the credit will begin to phase out for most other manufacturers.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program, and the implementing SEIF, to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances to power plants under the Regional Greenhouse Gas Initiative (RGGI).

Background: Chapter 490 of 2010 established the qualified plug-in electric vehicle excise tax credit. The credit was available for qualified vehicles titled beginning on October 1, 2010, through June 30, 2013. As also generally required by subsequent legislation, the Act required specified transfers from SEIF to TTF in each year in order to offset revenue reductions resulting from the credit. Chapters 359 and 360 of 2014 extended the tax credit program through fiscal 2017, increased the value of the credit provided to most vehicles, and specified that a maximum of $1.8 million in credits could be awarded annually in fiscal 2015 through 2017. Chapters 362 and 363 of 2017 generally reduced the value of the credit, extended the program through 2020, and increased to $3.0 million the annual maximum amount of credits that can be awarded.

According to MVA, a total of 7,169 new plug-in electric vehicles have been titled in Maryland and claimed the tax credit since fiscal 2011. Since fiscal 2015, the maximum amount of authorized credits have been claimed in each year. As of November 2018, MVA has awarded the maximum amount of credits authorized for fiscal 2019. **Exhibit 1** shows by fiscal year the total amount of credits awarded and number of qualifying vehicles.

Exhibit 1
Plug-in Electric Vehicle Tax Credit
Total Credits and Qualifying Vehicles
Fiscal 2011-2019

Fiscal Year	Vehicles	Total Credits
2011	75	$148,400
2012	364	710,100
2013	1,128	2,073,541
2014	729	643,199
2015	773	1,781,068
2016	699	1,799,775
2017	699	1,799,750
2018	1,551	2,978,548
2019*	1,151	2,944,450
Total	**7,169**	**$14,878,831**

*Credits claimed as of November 2018.

Source: Motor Vehicle Administration

State Revenues: General fund revenues increase by $8 million and special fund (SEIF) revenues decrease by $8 million correspondingly each fiscal year, from fiscal 2021 through 2023, reflecting the transfer of funds from SEIF to the general fund to offset the cost of the rebate program. This assumes that MEA awards the maximum amount of rebates in each fiscal year. It is also assumed, for the purposes of this fiscal and policy note, that the $8 million transfer from SEIF to the general fund each fiscal year is deducted from RGGI revenues prior to those revenues being allocated according to spending allocations in statute, and therefore is treated as a decrease in special fund revenues rather than an increase in special fund expenditures. This is consistent with the manner in which the transfers from SEIF to TTF (to offset the reduction in revenue from the vehicle excise tax credit) are currently made. For additional information on SEIF and RGGI funding, see the Department of Legislative Services' 2019 analysis of MEA's proposed fiscal 2020 operating budget (pgs. 22-29).

State Expenditures: General fund expenditures increase by $8,643,915 in fiscal 2021, which accounts for the bill's July 1, 2020 effective date. This estimate reflects the cost of (1) rebates issued under the program (and assumes MEA awards the maximum amount of rebates in each fiscal year) and (2) hiring seven contractual program administration staff and two contractual support staff to administer the rebate program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

The estimate of the amount of staff required to administer the program is based on the amount of staff currently administering the tax credit program at MVA and MEA's expectation of what it would need to administer a similar, but expanded, program.

Contractual Positions	9
Salaries and Fringe Benefits	$594,280
Rebate Funding	8,000,000
Operating Expenses	49,635
Total FY 2021 State Expenditures	**$8,643,915**

Future year expenditures reflect annual increases in salaries and employee turnover and ongoing rebate funding and operating expenses through fiscal 2023.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

Local Fiscal Effect: Local governments benefit by having access to the rebate program if they choose to purchase plug-in electric vehicles. The bill's reduction in SEIF revenues from fiscal 2021 through 2023, however, reduces funding for existing or future financial assistance programs available to local governments under SEIF.

Small Business Effect: Small businesses benefit by having access to the rebate program if they choose to purchase plug-in electric vehicles. The bill's reduction in SEIF revenues from fiscal 2021 through 2023, however, reduces funding for existing or future financial assistance programs under SEIF that are available to small businesses or that fund projects supported by small businesses.

Additional Comments: State agencies also benefit by having access to the rebate program if they choose to purchase plug-in electric vehicles. The bill's reduction in SEIF revenues from fiscal 2021 through 2023, however, reduces funding for various State agencies that administer programs funded through SEIF.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Energy Administration; Maryland Department of Transportation; Department of Budget and Management; Department of General Services; Baltimore and Garrett counties; Maryland Association of Counties; City of Laurel; Maryland Municipal League; U.S. Department of Energy; Internal Revenue Service; Department of Legislative Services

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