



MARYLAND DEPARTMENT OF THE ENVIRONMENT

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Martin O'Malley
Governor

Robert M. Summers, Ph.D.
Secretary

Anthony G. Brown
Lieutenant Governor

March 11, 2014

The Honorable Edward J. Kasemeyer
Members of Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

Re: Letter of Support, Senate Bill 908: *Electric Vehicles and Recharging Equipment – Rebates and Tax Credits*

Dear Senator Kasemeyer and Committee Members:

The Maryland Department of the Environment (the Department) has reviewed Senate Bill 908 (SB 908) and would like to express its support for this legislation. SB 908 will extend and enhance existing incentives that promote the purchase of electric vehicles (EVs) and EV charging equipment. The bill will also help the State achieve reduction goals for ozone pollution and emissions of the climate change gas CO₂.

The bill will extend the excise tax credit expiration date three years until June 30, 2017 and change the formula for calculation of the credit amount received by purchasers of EVs. The credit formula would be amended to allow an EV with greater battery capacity to receive a larger credit. Vehicles would receive a credit of \$125 per kilowatt hour of capacity up to a cap of \$3,000. By relating the credit directly to battery capacity, vehicles will be incentivized according to their capacity for miles traveled. The previous tiers provided an uneven incentive that rewarded some vehicle technologies more than others. Credit based on battery capacity incentivizes the purchase of plug-in electric vehicles in general, provides a technology-neutral approach and incentivizes manufacturers to increase battery capacity.

The current EV charging equipment installation tax credit would be converted to a rebate program. In addition to the credit being changed to a rebate, other enhancements are provided, namely:

- Equipment installation costs will be included in the incentive calculation
- The provision limiting businesses to a maximum of 30 chargers would be removed
- Existing residential and commercial caps would be increased
 - Residential: 50% up to \$900
 - Commercial: 50% up to \$5,000

Currently the credit only provides a marginal benefit relative to the total cost of equipment, permitting and installation, and the delay in receiving the benefit until the end of the tax year further reduces its attractiveness. This has caused the EV charging equipment credit to be underutilized since its inception. The changes sought in this bill will help with this.



This bill will further support the State's strong commitment to advancing EVs. In October 2013 the Governor signed a multi-state Zero Emission Vehicles (ZEV) memorandum of understanding with the governors of seven other states, pledging to put 3.3 million ZEVs on the roads in these states by 2025 through a multi-state action plan focused on expanding the market and facilitating development of charging infrastructure. Significant resources from MEA, MDOT and MDE have been, and will continue to be, invested in this effort.

SB908 will also provide assistance with the State's effort in achieving goals for climate change and ozone pollution reduction. Both the Washington and Baltimore metropolitan regions are designated by the EPA as "non-attainment" for ozone. The Baltimore region records the highest ozone east of the Mississippi. Electric vehicles emit no tailpipe emissions of air pollutants such as nitrogen oxides (NOx), volatile organic compounds (VOCs), particulate matter (PM) and carbon monoxide. NOx and VOCs are the key precursors to the formation of ground level ozone. Transportation emissions from conventional fossil fuel vehicles account for more than 40% of the state's ozone pollution from in-state sources. By increasing the number of vehicles that have no tailpipe emissions, levels of in-state generated ozone pollution should decline. This will assist us with achieving the federal ozone standard.

Electric vehicles also emit no tailpipe emissions of CO₂, the primary greenhouse gas contributing to global climate change. Maryland is the fourth most vulnerable state to sea level rise, one of the major environmental consequences of climate change. Tailpipe emissions from conventional fossil fuel vehicles account for one-third of Maryland's CO₂ emissions. Levels of in-state generated CO₂ will be reduced by increasing the number of vehicles that have no tailpipe emissions. This bill will assist in this regard.

Thank you for your consideration of this information as you review SB 908. Please contact me at 410-260-6301 or by email at jeffrey.fretwell@maryland.gov if you would like to discuss this issue further.

Sincerely,



Jeffrey Fretwell

cc: George (Tad) S. Aburn, Jr., Director, Air and Radiation Management Administration
Samantha Kappalman, Director of Legislative & Public Affairs