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Committee: Ways and Means

Testimony on: HB1181 – “Income Tax – Credit for Purchase of Zero-Emission and Hybrid Mobile Machinery”

Position: Support

Hearing Date: March 2, 2023

The Maryland Chapter of the Sierra Club supports HB1181, 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 HB 1181 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.

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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.