# Department of Planning and Budget
## 2021 Special Session I Fiscal Impact Statement

1. **Bill Number:** HB1979

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|---|---|---|---|---|---|---|
| **House of Origin** | ☐ | Introduced | ☐ | Substitute | ☐ | Engrossed |
| **Second House** | ☐ | In Committee | ☒ | Substitute | ☐ | Enrolled |

2. **Patron:** Reid

3. **Committee:** Finance and Appropriations

4. **Title:** Electric vehicle rebate program; creation and funding; report.

5. **Summary:** Creates the Electric Vehicle Rebate Program, for the purchase of new and used electric vehicles, to be administered by the Department of Mines, Minerals and Energy, and the Electric Vehicle Rebate Program Fund for the payment of rebates under the program. A qualified resident of the Commonwealth who purchases a new electric vehicle with a base price of not more than $55,000 would receive a $2,500 rebate at the time of purchase. A qualified resident of the Commonwealth who purchases such vehicle also shall be eligible for an additional $2,000 enhanced rebate. A resident of the Commonwealth who purchases a used electric motor vehicle from a participating dealer with a sale price of not more than $25,000 shall be eligible for a rebate of $2,500. A qualified resident of the Commonwealth who purchases such vehicle also shall be eligible for an additional $500 enhanced rebate. A qualified resident of the Commonwealth is a resident of the Commonwealth whose household income does not exceed 300 percent of the current poverty guidelines.

   The bill also establishes an Electric Vehicle Rebate Advisory Council to oversee the Electric Vehicle Rebate Program and to make recommendations regarding its implementation. The Director of the Department of Mines, Minerals, and Energy is required to report annually to the Governor and the General Assembly regarding the Program. The Department, in consultation with the Electric Vehicle Rebate Program Advisory Council, shall develop and implement a process for verifying eligible purchasers and shall ensure that such process: (i) is capable of being administered at the point of sale or lease of a vehicle, (ii) allows for the immediate determination of purchaser eligibility and the total amount of the rebate to which the purchaser is entitled, and (iii) confirms the rebate to the participating dealer. The Program will expire on January 1, 2027, and will not become effective unless the provisions in this bill are reenacted by the 2022 Session of the General Assembly.

6. **Budget Amendment Necessary**: Yes, to capitalize the Fund. See Item 8, below.

7. **Fiscal Impact Estimates:** Preliminary. See Item 8.

8. **Fiscal Implications:** The bill establishes the Electric Vehicle Rebate Program Fund and the Electric Vehicle Rebate Program. The newly-established Electric Vehicle Rebate Program would end on January 1, 2027. The provisions of the bill shall not become effective unless reenacted by the 2022 Session of the General Assembly.

The bill states that the Fund shall be used solely for the purposes set forth in the newly-established Electric Vehicle Rebate Program, which would include rebates and enhanced rebates for purchasers of electric motor vehicles, development of a program website by the Department of Mines, Minerals, and Energy (DMME), support for an Electric Vehicle Rebate Advisory Council, and DMME's costs incurred in administering the program. Beginning July 1, 2024, 25 percent of any unused funds remaining in the Fund at the end of the fiscal year shall be reallocated to fund electric vehicle charging infrastructure as approved by the General Assembly

Subject to availability of moneys in the Fund, beginning January 1, 2022, this bill would provide a $2,500 rebate to a purchaser of a new electric vehicle and an additional $2,000 enhanced rebate to a resident of the Commonwealth that purchases a new electric motor vehicle. Additionally, this bill would provide a $2,500 rebate to a resident of the Commonwealth who purchases a used electric motor vehicle with a value of not more than $25,000 and an additional $500 enhanced rebate. Any rebate would be deducted from the sales price by the participating dealer at the time of the purchase. The participating dealer would be reimbursed by the Department from the Fund for each eligible rebate. The amount of funding available for rebates is subject to funds appropriated in the Fund. The bill does not identify a fund source to capitalize the newly-established Fund. A budget amendment to appropriate funds for that purpose is required.

The Department of Taxation (TAX) has provided an estimate of the potential demand for rebates. TAX used the November 2020 Commonwealth Transportation Fund forecast as the base for the number of new and used vehicles that are expected to be sold in Virginia. The proposed rebate program would apply only to motor vehicles that use electricity as their only source of motive power (also known as battery electric vehicles (BEV). A percentage of the vehicle sales projections are for BEVs. According to the Electric Vehicle Incentive Working Group Feasibility report, BEVs are estimated to account for about 2.5 percent of total new vehicle sales currently. Also, according to this report, BEVs are expected to account for 10 to 20 percent of all new vehicle sales by the end of the program, January 1, 2027.

For the used vehicle market, TAX assumed that a significant portion of new BEV sales would be leased. Therefore, it is expected that there will be a robust resale market for BEVs, although market penetration will be less than that experienced in the new BEV market and a lower percentage of used vehicle sales are expected to be BEVs.

This legislation does not allow a rebate for BEVs with a base price more than $55,000. TAX assumed that eight percent of the new BEV market consists of vehicles with a base price over $55,000. TAX assumed that 25 percent of used BEV purchases would be to individuals who qualified for the enhanced rebate and that there would not be any enhanced rebates for new BEV's due to the higher income levels needed to purchase a new BEV.

This legislation allows for the purchase price to be reduced by the amount of the rebate. A lower purchase price would reduce motor vehicle sales tax collections.

Based on its analysis, TAX estimates demand for the rebates to be as follows:

| *Fiscal Year* | *Rebates* |
|---|---|
| 2021 | 0 |
| 2022* | $13.3 million |
| 2023 | $29.4 million |
| 2024 | $41.6 million |
| 2025 | $57.0 million |
| 2026 | $69.6 million |
| 2027* | $39.8 million |

*FY 2022 and FY2027 are half years

It is anticipated that this bill would increase the administrative responsibilities of DMME. As part of its implementation and administrative responsibilities, DMME is required to provide administrative support to the Electric Vehicle Rebate Advisory Council, as established in the bill. The Fund is based on an indeterminate appropriation, gifts, donations, grants, bequests, and other funds received on its behalf. DMME anticipates that indeterminate additional resources would be required to support the development and implementation of the Electric Vehicle Rebate Program that may include additional staff or the cost of a contractor. An appropriation for the payment of rebates would be required.

The Department of Motor Vehicles (DMV) may examine all records, books, papers, or other documents of any dealer in motor vehicles to verify the truth and accuracy of any statement or any other information relating to rebates claimed by the dealer. The impact of this bill on DMV is not known at this time.

Budget amendments to HB1800 adopted by the House include $5.0 million from the general fund in FY 2022 to establish the program pursuant to this bill.

9. **Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals and Energy; Department of Taxation; Department of Motor Vehicles.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** None.