

November 19, 2018

The Honorable Mitch McConnell
Majority Leader
United States Senate
U.S. Capitol Building, Room S-230
Washington, DC 20515

The Honorable Paul Ryan
Speaker of the House of Representatives
United States House of Representatives
U.S. Capitol Building, Room H-232
Washington, DC 20515

Dear Speaker Ryan and Leader McConnell:

We urge you not to extend or expand the federal tax credit for electric vehicles as part of tax extenders or any other bill during the rest of this session of Congress.

Thanks to your leadership, Congress delivered historic tax reform last year. It has helped boost the economy and is bringing tangible benefits to working Americans. That bill was premised on lowering rates in exchange for eliminating loopholes, deductions, and credits. Although the House-passed bill eliminated the federal tax credit for electric vehicles, the Senate-passed bill did not. Ultimately, the tax bill continued the current tax credit, which phases out per manufacturer after 200,000 units. That tax credit will lower revenue by approximately \$7.5 billion through 2022, according to the Joint Committee on Taxation (JCT).^[1]

We encourage the House and Senate to build on tax reform and not take a step backward by expanding the EV tax credit this Congress. Even if the new policy has a phase out year, once it is included as part of tax extenders, it is very likely to be renewed year-by-year.

The EV tax credit is particularly bad policy. It is a giant transfer to wealthy Americans. According to JCT, 78% of the individual filers for the credit make more than \$100,000 per year and receive 83% of the credits.^[2] Electric vehicles are, for the most part, expensive luxury or performance vehicles that only the wealthy can afford. While GM is close to it, only Tesla has hit the cap so far. Therefore, lifting the phase out cap would provide immediate benefits solely to a company that specializes in luxury and performance vehicles. (Tesla announced a \$35,000 sticker price on its Model 3, but it has yet to build any vehicles at near that price.)^[3] Tesla made a profit this quarter, and its CEO Elon Musk, a billionaire, said himself that the company does not need the tax credit to compete for customers, and its “competitive advantage improves as the incentives go away.”^[4]

^[1] See Congressional Research Service “In Focus: The Plug-In Electric Vehicle Tax Credit,” IF 11017.

^[2] Id.

^[3] <https://www.bloomberg.com/news/articles/2018-10-18/tesla-starts-taking-orders-for-shorter-range-model-3-at-45-000>

^[4] <https://seekingalpha.com/article/4069065-elon-musk-begs-feds-please-end-teslas-tax-subsidy>

Environmental benefit is a purported purpose for EV subsidies, but, globally, most EVs currently start their life with a greenhouse gas deficit. Over time they can make up for that gap, assuming the battery lasts long enough, and the car is driven far enough, two uncertain propositions. The gap may never be made up if the car is fueled with electricity generated from coal.

Car companies are busy investing billions in research and development of electric vehicles. Sales of EVs are increasing, and product offerings are growing. These vehicles should compete for customers without government choosing sides.

In summary, it is unwise public policy to subsidize a highly inefficient means of GHG reduction that primarily benefits the wealthy, driving up the deficit or forcing taxpayers to make up the difference.

We urge you instead to build on the historic tax reform bill and, at minimum, reject adding an EV tax credit to the extenders bill.

Sincerely,



About AFPM

The American Fuel & Petrochemical Manufacturers (“AFPM”) is a national trade association whose members comprise virtually all U.S. refining and petrochemical manufacturing capacity. For more information, please contact Derrick Morgan, Senior Vice President, Federal and Regulatory Affairs at DMorgan@afpm.org, or 202-844-5473.

About API

The American Petroleum Institute is the only national trade association representing all facets of the oil and natural gas industry, which supports 10.3 million U.S. jobs and nearly 8 percent of the U.S. economy. API’s more than 625 members include large integrated companies, as well as exploration and production, refining, marketing, pipeline, and marine businesses, and service and supply firms. They provide most of the nation’s energy and are backed by a growing grassroots movement of more than 45 million Americans. For more information, please contact Frank Macchiarola, Group Director, Downstream at MacchiarolaF@api.org or 202-682-8167.

About NACS

NACS is an international trade association representing the convenience store industry with more than 2,100 retailer and 1,750 supplier companies as members, the majority of whom are based in the United States. For more information, please contact Paige Anderson, Director of Government Relations, at panderson@convenience.org or 703-518-4221.

About PMAA

PMAA is a federation of 47 state and regional trade associations representing 8,000 independent petroleum marketers nationwide. PMAA companies own 60,000 retail fuel outlets such as gas stations, convenience stores and truck stops. Additionally, these companies supply motor fuels to 40,000 independently owned retail outlets and heating oil to over eight million homes and businesses. PMAA members are engaged in the transport, storage and sale of petroleum products including gasoline, diesel fuels, kerosene, jet fuel, aviation gasoline, propane, racing fuel, lubricating oils, and home heating oil at both the wholesale and retail level. PMAA members are the primary conduit for bringing petroleum products from the terminal rack to retail locations and represent a vital and indispensable link in the nation’s petroleum distribution chain. For more information, please contact Rob Underwood, President, at 703-351-8000 or runderwood@omaa.org.

About SIGMA

SIGMA represents a diverse membership of approximately 260 independent chain retailers and marketers of motor fuel. For more information, please contact Tim Columbus, SIGMA Counsel, tcolumbus@steeptoe.com or 202-429-6222.