September 19, 2018

Representative Kevin Brady
1011 Longworth HOB
Washington, DC 20515

Dear Chairman Brady,

We, the undersigned organizations, write to strongly object to any effort to expand the current electric vehicle tax credit in any way. The justification for this tax credit was to spur innovation and encourage companies to offer electric vehicle options, not to permanently subsidize sales.

While we believe that the tax credit is misguided as a whole, at least its drafters had the foresight to limit the harm that it could do by ensuring that it only applied to the first 200,000 electric cars from a given manufacturer. That admirable restraint should not be jettisoned now.

The presence of the credit is a clear and unavoidable message that we trust government, rather than consumers, to make decisions about who spends their hard-earned money. Surely, that is neither what we believe nor wish to convey to voters.

Removing the cap on expenditures would be grossly fiscally irresponsible.

Limiting the tax credit to the first 200,000 cars provides an automatic limit on spending. With no cap, however, the liability to taxpayers is almost unlimited. At a time of ballooning deficits, Congress should not be piling billions more in future liabilities on our children.

Subsidies for electric vehicles are unpopular.

As shown in recent polling, 67% of voters believe they should not be forced to subsidize electric vehicle purchases. And that is despite generally positive feelings about electric vehicles as a whole. Furthermore, fully 72% of voters do not trust the federal government to make decisions about what types of vehicles to subsidize.

Electric vehicles do not necessarily pollute less than modern internal combustion engines.

As explained in a recent study from the Manhattan Institute, new internal combustion engines combined with low-sulfur gasoline emit barely any pollution. Indeed, electric vehicles, which draw power from the electric grid, likely produce more total pollution than new internal combustion engines because much of that electricity is generated by coal power plants.

Subsidies for electric vehicles overwhelmingly benefit the wealthy.

A recent study found that 79% of EV tax credits were claimed by households with an adjusted gross income of more than $100,000 a year. It already makes no sense that the federal government is subsidizing the purchases of the wealthy with the current EV tax credit. We certainly should not be expanding that handout for the rich even more.

Some companies claim that the 200,000-car cap will somehow penalize them because competitors who have not reached the cap will still be eligible for the credit for some period of time. Too often in the past we have seen this argument, a temporary tax credit becomes institutionalized and can never be repealed save by massive legislative effort.

The wind Production Tax Credit (PTC) is the perfect cautionary case study. The PTC was implemented in 1992 as a temporary tax credit, yet for 25 years it was extended and expanded. It took many years of legislative wrangling and horse-trading just to get a gradual phase-out, and even with that the federal government is going to be paying PTC subsidies into the decade of the 2030s. Lifting the cap on the EV tax credit sets up an identical scenario, ballooning future costs without end.

Congress should resist the calls for more handouts. If companies are concerned about uneven tax credit treatment, then the answer is to eliminate the tax credit entirely, as the House proposed in last year's tax bill.

Sincerely,

Thomas J. Pyle, American Energy Alliance

Ashley Varner, ALEC Action

Phil Kerpen, American Commitment

Dan Schneider, American Conservative Union

Steve Pociask, American Consumer Institute

Lisa B. Nelson, American Legislative Exchange Council

Rick Manning, Americans for Limited Government

Brent Gardner, Americans for Prosperity

Grover Norquist, Americans for Tax Reform

David Stevenson, Caesar Rodney Institute

Andrew F. Quinlan, Center for Freedom and Prosperity

Donald Bryson, Civitas Institute

Myron Ebell, Competitive Enterprise Institute

Matt Kandrach, Consumers Action for a Strong Economy

Thomas Schatz, Council for Citizens Against Government Waste

Craig Richardson, E&E Legal Institute

Annette Meeks, Freedom Foundation for Minnesota

Adam Brandon, FreedomWorks

George Landrith, Frontiers of Freedom

Kyle Wingfield, Georgia Public Policy Foundation

Tim Huelskamp, Heartland Institute

Tim Chapman, Heritage Action

Mario H. Lopez, Hispanic Leadership Fund

Amy Oliver Cooke, Independence Institute

Seton Motley, Less Government

Jameson Taylor, Mississippi Center for Public Policy

Harry Alford, National Black Chamber of Commerce

Kirk Uhler, National Tax-Limitation Committee

Paul Gessing, Rio Grande Foundation

David Williams, Taxpayers Protection Alliance