

Senator Chuck Grassley
135 Hart Senate Office Building
Washington, DC 20510

Representative Richard Neal
2309 Rayburn House Office Building
Washington, DC 20515

Senator Ron Wyden
221 Dirksen Senate Office Building
Washington, DC 20510

Representative Kevin Brady
1011 Longworth House Office Building
Washington, DC 20515

May 9, 2019

Dear Senator Grassley, Senator Wyden, Representative Neal and Representative Brady:

We, the undersigned organizations, write to object to any effort to expand the current electric vehicle tax credit. While the tax credit is misguided, at least its drafters had the wisdom to ensure that it only applied to the first 200,000 electric vehicles from a given manufacturer. Senator Orin Hatch, sponsor of the original legislation in 2007, stated upon introduction:

"I want to emphasize that like the tax credits available under current law for hybrid electric vehicles, the tax incentives in the FREEDOM Act are temporary. They are needed in order to help get these products over the initial stage of production, when they are quite a bit more expensive than older technology vehicles, to the mass production stage, where economies of scale will drive costs down and the credits will no longer be necessary."

That restraint should not be jettisoned now.

Additionally, we ask that as you consider this issue, you remain aware of the following:

Subsidies for electric vehicles are unpopular.ⁱ As shown in recent polling, 67% of voters believe they should not be forced to subsidize electric vehicle purchases. Furthermore, 72% of voters do not trust the federal government to make decisions about what types of vehicles to subsidize.

Subsidies for electric vehicles overwhelmingly benefit the rich.ⁱⁱ A recent study found that 79% of electric vehicle tax credits were claimed by households with an adjusted gross income of more than \$100,000 a year. It makes no sense for the federal government to subsidize the purchases of wealthy individuals. Even Treasury Secretary Steve Mnuchin has made it clear that the rich don't need and shouldn't be able to take advantage of this tax loophole, stating, *"I own a Tesla, and I didn't need the \$7,500 tax credit."*

Electric vehicle subsidies are a wealth transfer to California at the expense of all other states. In 2018, over 46% of new nationwide electric vehicles sales were in California alone. In contrast, just 2.7% of new electric vehicles were sold in Massachusetts, and only 0.3% were sold in Iowa.ⁱⁱⁱ Given that California represents only about 12% of the

U.S. car market, this disparity means that the other 49 states are subsidizing expensive cars for Californians.

Electric vehicles are not cleaner 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.^{iv} Indeed, electric vehicles, which draw power from the electric grid, likely produce more total pollution than new internal combustion engine vehicles. An even more recent study from the IFO Institute in Germany, which looked at life cycle carbon dioxide emissions of a new electric vehicle and a comparable new diesel vehicle, finds that even for just carbon dioxide emissions the electric vehicle does not outperform the diesel internal combustion engine.^v

Expanding the electric vehicle tax credit will be a net harm to consumers.^{vi} A recent study from NERA economists found that extending the tax credit reduces total personal income of all U.S. households by \$7 billion in 2020 and \$12 billion in 2035. Between 2020 and 2035, the net present value reduction in personal income of all U.S. households would be about \$95 billion, or about \$610 per household.

Removing the cap on expenditures would be fiscally reckless. Limiting the tax credit to the first 200,000 cars provides an automatic limit on spending. With no cap, the liability to taxpayers is almost unlimited. Congress should not pile billions more in costs onto taxpayers, small businesses, workers, and ultimately, on future generations.

Electric vehicles, like all other products in the marketplace, should succeed or fail on their merits. With the evidence pointing towards lack of consumer demand for electric vehicles, the companies that manufacture them are looking to Congress for even more handouts. We urge you to protect your constituents and all American families by opposing an expansion of the electric vehicle tax credit.

Sincerely,

Tom Pyle
American Energy Alliance

Bethany Marcum
Alaska Policy Forum

Lisa Nelson
ALEC Action

Phil Kerpen
American Commitment

Rick Manning
Americans for Limited Government

David T. Stevenson
Caesar Rodney Institute

Andrew F. Quinlan
Center for Freedom and Prosperity

Jeffrey Mazzella
Center for Individual Freedom

Isaac Orr
Center of the American Experiment

Mark Mathis
Clear Energy Alliance

David McIntosh
Club for Growth

Caleb Rossiter
CO2 Coalition

Stephen Moore
Committee to Unleash Prosperity

Myron Ebell
Competitive Enterprise Institute

Matthew Kandrach
Consumer Action for a Strong
Economy

Craig Richardson
E&E Legal

Mandy Gunasekara
Energy 45 Fund

Annette Meeks
Freedom Foundation of Minnesota

Jason Pye
FreedomWorks

George Landrith
Frontiers of Freedom

Tim Huelskamp
The Heartland Institute

Tim Chapman
Heritage Action for America

Amy Oliver Cooke
Independence Institute

Brett Healy
The John K. MacIver Institute for
Public Policy

Kory Swanson
John Locke Foundation

Seton Motley
Less Government

Jason Hayes
Mackinac Center for Public Policy

Harry C. Alford
National Black Chamber of Commerce

Kirk Uhler
National Tax Limitation Committee

Wayne Winegarden
Pacific Research Institute

Bette Grande
Roughrider Policy Center

David Williams
Taxpayers Protection Alliance

John Tintera
Texas Alliance of Energy Producers

Kevin Roberts
Texas Public Policy Foundation

ⁱ <https://www.americanenergyalliance.org/2018/06/19/new-survey-voters-still-find-vehicle-subsidies-unfair/>

ⁱⁱ <https://www.pacificresearch.org/government-electric-car-subsidies-are-costly-subsidies-for-the-rich-finds-new-study/>

ⁱⁱⁱ <https://evadoption.com/ev-market-share/ev-market-share-state/>

^{iv} <https://www.manhattan-institute.org/html/short-circuit-high-cost-electric-vehicle-subsidies-11241.html>

^v http://www.cesifo-group.de/ifoHome/presse/Pressemitteilungen/Pressemitteilungen-Archiv/2019/Q2/pm_20190417_sd08-Elektroautos.html

^{vi} https://www.instituteeforenergyresearch.org/wp-content/uploads/2018/12/NERA_EV-Tax-Credit.pdf

