
National Legal and Policy Center

“promoting ethics in public life”



Hot Tesla Model 3 to Get Unneeded \$1.5 Billion Tax Subsidy

Tesla Motors recently reported that it has received close to 400,000 orders for its yet to be released, \$35,000 Model 3. Most of the pre-ordered vehicles are not even expected to be delivered until after 2018. While congratulations may be in order to Tesla for seemingly developing a mainstream electric vehicle (EV) that has so much consumer interest that demand is far outpacing supply, one question must be asked. Why the hell is the vehicle being subsidized to the tune of \$1.5 billion in future tax credits?

If Tesla has proven that EVs can be profitably manufactured, it is time for our government to stop handing out the \$7,500 tax credit that goes to each of the mostly affluent purchasers of the cars. The credits are capped for the first 200,000 vehicles delivered, making the total subsidy \$1.5 billion. Tesla reportedly has doubled that sales figure before even building a single car. Obviously, considering the waiting list of buyers, the car would sell without any tax subsidy. When will someone in our government start questioning why we are wasting tax revenue on unneeded EV tax credits?

In addition to the question of whether or not taxpayers should fund our government's quest to pick winners and losers, rather than let free markets determine which technologies automakers pursue based on feasibility, there have been studies that show EVs are no better for our environment than conventionally-powered vehicles. These studies take into consideration the effects of mining rare-earth materials such as the lithium used in the lithium-ion based battery technology currently used by Tesla and other EV manufacturers. Power plants producing the energy to recharge the batteries typically leave their carbon footprint, as well.

The benefit to the environment of EVs is debatable; advocates along the lines of Hillary Clinton and President Obama seem to believe that putting the coal industry out of business will reduce the comparative carbon footprint of EVs. Whatever the case, the point is now moot if Tesla has proven that such vehicles can be manufactured in an efficient enough manner such that subsidization is not needed.

If Tesla can build an electric car that appeals to the mainstream public without the need for government handouts, other manufacturers should be able to do it, too. General Motors failed to succeed with its entries to the market of the Chevy Volt and the recently deceased Cadillac ELR. Doling out billions of taxpayer dollars did not assure success in those cases. The burden to improve technologies should be placed upon the manufacturers, not upon taxpayers.

I won't hold my breath waiting for a politician to speak out against the continued waste of taxpayer money on EV subsidies. When Rep. Mike Kelly (R-PA) sponsored a bill calling for an end to the subsidies years ago, it fell upon deaf ears. Neither party has ever seriously considered reducing the wasteful use of taxpayer money, when the recipients are cronies like General Motors or perceived politically-correct agendas like green energy, the odds are further reduced that common sense will prevail. The common sense answer is that we should end the billions of dollars of tax credits that go to support the sales of EVs that have questionable benefits to the environment, particularly now that Tesla has proven that they are not needed.