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Reconciliation Bill's Potential Impact on EV and Infrastructure Ecosystem

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The Republican-controlled Congress is poised to pass key legislative measures through budget reconciliation that will impact the EV industry this year. Speaker Johnson favors a single reconciliation bill with an ambitious April timeframe, while Senate Majority Leader Thune supports two bills over the course of the year separating border security, defense, and energy policies from a larger, more complex tax-focused bill. Regardless of the approach, any tax-focused legislation is sure to roll back many of the previous administration's policies that originally passed through a reconciliation bill of their own. This shift in priorities is also a significant cost-saving action taken to pay for the extension of the Tax Cuts and Jobs Act (TCJA) of 2017.

What is potentially changing?

The potential reconciliation tax bill has significant implications for the electric vehicle ecosystem, including manufacturers in the automotive sector as well as charging station platforms, among others. The reconciliation bill would aim to streamline fiscal policies and eliminate certain tax credits to enhance market stability and reduce government intervention. The key provisions under consideration include the repeal of specific sections of the Inflation Reduction Act (IRA), closing tax loopholes, and potentially saving hundreds of billions of dollars over the next decade.

Below are highlighted options for policy measures House Republicans are reviewing:

- **Repeal Title I of IRA (Excluding: 45Q Carbon Sequestration, 45U Nuclear Power, 45Z Clean Fuels, and EV Tax Credit)**
 - Reducing 45Q, 45U, and 45Z would streamline and reduce government intervention in the energy industry that props up the green energy sector and distorts market competition.
- **Close the EV Credit Leasing Loophole**
 - Closing the EV credit leasing loophole ensures that only EV buyers, not lessees, receive tax credits, preserving the integrity of the program and preventing misuse of taxpayer dollars.
- **Repeal Green Energy Tax Credits**
 - Would repeal credits created and expanded under the Inflation Reduction Act. These credits are related to clean vehicles, clean energy, efficient building and home energy, carbon sequestration, sustainable aviation fuels, environmental justice, biofuel, and more.
- **Increase Electric Vehicle Fees**
 - Electric vehicles do not currently contribute to the Highway Trust Fund, which is largely funded by the federal gas tax. This option would assess a new fee for electric vehicles.

- **Auto Loan Interest Deduction**
 - Would allow Americans to deduct their auto loan interest payments from their taxes.
- **Codify and Increase 301 Tariffs on China**
 - Would codify the 301 tariffs in addition to increasing the tariffs on products already subject to 301.
- **10 Percent Tariff**
 - Would create a ten percent tariff across the board on all imports.
- **H.R. 7679, End China's De Minimis Abuse Act**
 - Legislation requiring de minimis value shipments to also pay any existing 301 tariffs would reduce the volume of de minimis shipments from China by half.
- **Inflation Reduction Act Repeals in Titles V and VI**
 - Title V programs include:
 - Home energy performance-based and whole-house rebates;
 - High-efficiency electric home rebate program;
 - State-based home energy efficiency contractor training and grants;
 - Assistance for the latest and zero-building-energy code adoption;
 - Funding for the Department of Energy and the Loan Program Office;
 - Advanced vehicle technology manufacturing;
 - Transmission facility financing;
 - Interregional and offshore wind transmission planning and modeling;
 - Department of Energy administrative funding; and
 - Federal Regulatory Commission funding.
- **H.R. 2811 Energy Leasing and Permitting Provisions**
 - Division D, Title II and III of H.R. 2811, Limit, Save, Grow Act including all of H.R. 2, the Lower Energy Costs Act, and Transparency, Accountability, Permitting, and Production of American Resources Act or the TAPP American Resources Act.
- **Repeal EPA Tailpipe Emissions Rule and Department of Transportation CAFE Standards Rule**
 - The EPA Tailpipe and DOT Corporate Average Fuel Economy (CAFE) Standards rules considerably increase the usage of the IRA's EV tax credits.
- **Repeal IRA Spender Under Jurisdiction**
 - Would repeal IRA Title IV measures under the jurisdiction of the Science, Space, and Technology committee.
 - Title IV measures include:
 - Alternative Fuel and Low-Emission Aviation Technology Program;
 - Oceanic and Atmospheric Research and Forecasting for Weather and Climate Budget Authority;

- Computing Capacity and Research for Weather, Oceans, and Climate; and
- Acquisition of Hurricane Forecasting Aircraft.

While the Senate has not shared what they are considering, many of these measures are likely to be supported by Senate Republicans. Our [Government Relations and Public Policy](#) team will continue to monitor developments and provide updates as warranted. If you have any questions or would like to discuss in further detail, please reach out to [Matthew G. Duff](#), Policy Advisor. Additionally, since some of the measures described above involve tariffs and trade-related issues, should you have such questions or concerns, please reach out to [P. Lee Smith](#), who leads our [International Trade and National Security](#) team.