



Subsidy for Electric Vehicles:

Joint Tax Credits 5.17.2011 Testimony of Jody Wisner

Amongst the questions you have been asked to consider in deciding whether to extend a tax credit or not are these:

- What is the public policy purpose of this credit?
- Who directly benefits from this credit?
- Is use of a tax credit an effective and efficient way to achieve this policy goal?
- What is expected to happen if this credit fully sunsets?

The policy purpose of the electric vehicle portion of this bill has not been stated. If the public policy purpose is to encourage Oregonians to lead the nation in the purchase of electric vehicles, we think the subsidy is unnecessary.

There is zero proof that our appetite for purchasing the Prius and other hybrid vehicles wasn't because it is the nature of many of our citizens to be green, rather than subsidies that was the primary motivating factor.

The fact that Oregon has one of the highest renewable portfolio standards in the nation and is a leader in voluntarily purchasing green electricity - at a premium - is powerful evidence that being "green" is already an important value and priority in our state.

Portland General Electric (PGE) has more renewable power customers than any other utility in the United States.¹

Nissan chose the rollout states based on anticipated demand, not subsidy. More than 55% of all original Leaf reservations—those accepted between 2009 and 2010 via a refundable \$99 fee—originated in just five states, Oregon was one of them.

The Ford Focus is set to debut in 17 cities, Portland is one of them. According to the press, *"Ford Managers picked cities where hybrids are popular and where utility companies and local governments back introduction of electric vehicles. Oregon is part of a federal program to install an extensive network of charging stations."* You will note that the article didn't even mention our \$1500 subsidy. The plug in Toyota is set to roll out in 17 states, including Oregon, *"because 60% of Prius' were sold in these states."*

¹ <http://theportlander.com/2010/05/03/pge-leads-the-nation-in-renewable-power-customers/>

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Incenting the purchase of cars that the public is excited to purchase is "government waste." In Oregon, the reservation list for the first round of the Nissan Leaf closed in September for cars that weren't expected to begin arriving until late December. In late November or early December I got on the list to get on the list to be on the list of those who will put down \$99 for the next round of Nissan Leafs, last Friday I got an email inviting me to pay my \$99. There is no reason to believe that Oregon's \$1500 is a critical element in that excitement. In fact, the \$9000 total of current state and federal subsidies for the Leaf make it cheaper than the Nissan hybrid car with equivalent options.

Who benefits from this credit? As an October NY Times article said, "Nissan expects the typical Leaf buyer to fit a highly desirable demographic: affluent, college-educated consumers in their mid-40s..." We are facing huge cutbacks in publically funded programs. Subsidizing new cars that only those with above average resources will buy is a slap in the face of those who depend upon the state for basic services or an education.

Is the tax credit an effective and efficient way to achieve the policy goal?

First issue: It is unnecessary at this time. Maybe later, if insufficient numbers follow through and adopt the car, but not now.

Second issue: tax credits don't work for many fleet purchasers and thus are sold. Of hybrid and plug in vehicle applicants 56% of applicants with 70% of the cost were made by governments, non-profits, or businesses unable to use the tax credits.² Even after the Legislature asked that changes be made in the pass thru rates, the BETC I purchased wasted 27 cents on the dollar. If this subsidy is continued, it should simply be put this in the budget as a line item. Oregon's taxpayer subsidy for EVs should occur at the point of purchase, or with a check.

Fifty seven percent of the purchasers of alternative fuel and plug-in vehicles qualified for 1 year BETCs.³ These one year BETCs affect the revenue of the state within the year, so changing to grants will cost this biennium's General Fund little more than the tax credit approach. Further, the subsidy amount could be reduced and deliver the same benefit to most purchasers.

Finally, if, and I do repeat if, you do choose to continue this subsidy, the sunset should not be set six years out, as you need to see some evidence that the subsidy is an essential element in achieving an important stated goal. However, **we believe the EV subsidy is one that should be discontinued.**

² Based on Tax Fairness Oregon analysis of ODOE data on alternative fuel and plug in vehicles 2001-2009. Both Alt Fuel and Plug In Electric Vehicles:

56% of # of projects passed through, 44% not passed through.

70% of precertified costs passed through, 30% not passed through

57% of projects were less than \$20k and qualified for 1 year BETCs

³ IBID

Tax Fairness is a nearly all-volunteer group advocating for fair, stable and adequate taxes