36C EV TAX CREDIT
MUST SUPPORT GAINS FOR CLIMATE, WORKERS, AND COMMUNITIES

Photo courtesy of Ford Motor Company

Electric vehicles (EVs) are coming, and our global competitors are rushing to capture the economic, jobs, and manufacturing benefits of this shift. The actions that Congress takes now will determine whether the United States leads in deploying the automotive technologies of the future and whether U.S. workers and communities see gains from the transition to EVs.

The updated EV consumer tax credit—with the phased-in domestic manufacturing requirement and collective bargaining bonus—will be a key part of meeting climate goals and a major element of building a more prosperous and just economy.

KEY FACTS

The Updated EV Consumer Tax Credit Supports All of Building Back Better.

- The updated credit included in Build Back Better is better targeted and more cost-effective.
- It speeds deployment of EVs, cuts pollution and makes the transition to EVs better for all auto-sector workers and the communities where vehicles and components are built.
- The updated credit has broad environmental, labor, and industry support.
- Manufacturing jobs and communities across America depend on choices policymakers take now.

The Updated Credit With Labor and Domestic Assembly Provisions Spurs More Rapid EV Adoption and Progress Toward Achieving Climate Goals.

- The 36C credit is a more generous credit than any previous EV tax credit, which will speed EV adoption.
- No U.S. manufactured EV, even those made in non-union facilities, will receive less than the $7,500 credit the vehicle receives today,[1] and some will receive more. Through 2026, even imported EVs receive the full credit.
- The $4,500 collective bargaining bonus (and the $500 domestic battery cell bonus) are added on top of these credits—making EVs even more affordable for consumers.
- As soon as 2023, dozens of U.S. assembled EVs will be available from both foreign and U.S. headquartered automakers.

Labor and Domestic Assembly Provisions are Critical to Safeguard and Create Auto-Sector Jobs Across America and Improve Working Conditions For All Autoworkers.

- **Onshoring EV production through the phased-in domestic assembly requirement matters for U.S. manufacturing jobs.**
  - As the industry shifts to EVs, 220,000 direct manufacturing jobs hinge on whether policymakers take decisive policy action to onshore the EV supply chain and grow the share of vehicles made in the U.S.
  - Automakers have made tens of billions of dollars in EV investment promises. The updated credit incentivizes automakers to fulfill promises to invest in manufacturing and workers in the U.S.

The Collective Bargaining Bonus Benefits Union and Non-Union Workers.

- **Having a union means better wages and working conditions.**
  - On average, unionized workers earn more in wages than non-unionized workers, with greater access to benefits, paid leave, workplace safety productions and job security; the union premium is even greater for Black and Hispanic workers.[2]
  - In the auto sector, the median wage at unionized facilities are about 17% higher percent, without accounting for more generous benefits or the

greater use of temporary staffing at non-union facilities.

- – The share of Black workers is also significantly higher in unionized auto facilities, even where non-unionized facilities are located in regions of the country with a higher share of black workers in the workforce overall.
- **But even non-union workers still benefit from unions.**
- – As unionization has dropped, so too have real wages across the auto sector—even as productivity has risen. That means hundreds of billions of dollars in losses in workers paychecks and for the communities and local economies those wages support.
- – Conversely, where union density remains high, unionized workplaces set a high standard for wages and benefits, and non-union workplaces follow.
- **Global auto companies see union value in their own countries—just not in the United States.**
- – The union bonus acknowledges and encourages all automakers who invest more in workers; it spurs automakers not to discriminate against their U.S. workforce with lesser rights and protections; and it helps ensure we rebuild middle class manufacturing jobs and communities.

The Updated Credit is a Key Piece of a Comprehensive and Globally Competitive Policy Agenda to Lead on Clean Vehicle Manufacturing and Deployment.

- Other countries are moving fast. Bad policy has meant offshoring, outsourcing, and lost wages, and has left U.S. manufacturing and workers playing catch up.
- Polling shows voters *strongly* support investments in rebuilding manufacturing and bringing back good union jobs.
- **Congress must act now** to build the vehicles and good jobs of the future in America.

FIGURE 1: The Structure of the Updated (36C) EV Consumer Tax Credit

Existing EV Tax Credit (30D)	Updated EV Consumer Tax Credit (36C) 2022-2026	Updated EV Consumer Tax Credit (36C) 2027-2031
$2,500 Base Credit for Any Vehicle with a ≥5 kWh Battery **+$417 Per Add'l kWh** (Achieves maximum $7,500 credit at ≥17 kWh battery)	**$4,000 Base Credit** for Any Vehicle with a ≥10 kWh Battery	**$4,000 Base Credit** for Any Domestically Assembled Vehicle with a ≥10 kWh Battery
	+$3,500 Any Vehicle with a ≥40 kWh Battery	**+$3,500** Any Domestically Assembled Vehicle with a ≥50 kWh Battery
= $7,500 for Any Full EV	**= $7,500 for Any Full EV**	**= $7,500 for Any Domestically Assembled Full EV**
No Collective Bargaining Bonus	**+$4,500 Collective Bargaining Bonus** for Any Vehicle Assembled in a Facility with a Union-Negotiated Collective Bargaining Agreement	
No Domestic Battery Bonus	**+$500 Domestic Battery Cell Bonus** for Any Vehicle with Domestically Manufactured Battery Cells	
= $7,500 Max Possible Credit	**= $12,500 Max Possible Credit**	
Per-Manufacturer Credit Cap: 200,000 Vehicles	**No Per-Manufacturer Credit Cap**	
No MSRP Cap	**MSRP Cap**: $55K for cars; $80K SUVs, Vans, & Pick-up Trucks	
No Income Cap	**Income Cap**: Credit phase-out begins at $250,000 for individual filers and $500,000 for joint filers	

THE UPDATED EV CONSUMER TAX CREDIT IS CRITICAL FOR CLIMATE, JOBS AND THE ECONOMY

The updated Build Back Better Act (BBBA) 36C EV consumer tax credit—with a phased-in domestic assembly requirement, collective bargaining bonus, and a domestic battery cell bonus—exemplifies how policies can both facilitate the transition to a cleaner economy and rebuild domestic manufacturing, invest in workers, and help restore the middle class.

Our competitors are moving fast. Truly building back better requires policymakers to leverage all the tools at their disposal to facilitate the transition to EVs, ensure that we make them here in the U.S., and build better jobs in the auto industry. This has the potential to transform not only the vehicles we drive, but also the lives of the workers who build them—ensuring a clean, prosperous, and equitable future for all.

THE UPDATED CREDIT SUPPORTS BUILDING BACK BETTER

Since its introduction in 2010, the EV consumer tax credit (formerly the 30D tax credit, now the 36C tax credit) has reduced the upfront purchase cost of EVs for consumers, but its approach has become increasingly outdated. **The updated credit included in BBB is better targeted and more cost-effective. It accelerates the deployment of EVs in the U.S. by improving upon the existing credit in a number of ways.** The legislation will:

- Make the credit refundable and available at the point-of-sale, allowing buyers with limited or no tax burden to realize the value of the benefit in cash at the dealership, rather than having to wait to receive the beneift with their annual tax return.;
- Lift the cap on the number of credits available to each automaker, meaning that all consumers are able to access the credit, not just the first ones in line; and
- Prohibits the use of the credit for luxury vehicles helping ensure funds are used where they are most effective.

Each of these important measures, alongside a new tax credit for used EVs, makes EVs accessible to a wider range of consumers.

In addition, the updated credit includes critical domestic manufacturing and labor standards provisions that make the transition to EVs good for auto sector workers and the communities where vehicles and components are built. These provisions include:

- A phased-in domestic assembly requirement;
- A bonus for vehicles assembled in facilities with collective bargaining agreements; and
- A domestic battery cell bonus.

Together, these provisions help ensure this key industry incentive delivers increased climate and economic benefits. **The balanced provisions in the updated credit have also garnered broad support** from a wide range of stakeholders including auto companies, utilities, energy companies, labor, and environmental organizations - with climate advocates underscoring the importance of doing right by workers in the shift to EVs.

UPDATED EV CONSUMER TAX CREDIT & LABOR PROVISIONS HAVE BROAD SUPPORT

Over 100 members of the House from across the nation have specifically underscored their support for the strong labor and manufacturing provisions.[3] The updated consumer EV tax credit—with its phased-in domestic assembly requirement, collective bargaining bonus, and domestic battery bonus—also has broad stakeholder support, spanning the environmental community, labor, energy companies, and major automakers.[4]

- League of Conservation Voters
- Michigan League of Conservation Voters
- Environmental Defense Fund
- Natural Resources Defense Council
- The Sierra Club
- American Lung Association
- UAW
- AFL-CIO
- Ford Motor Company
- General Motors
- Stellantis
- Edison Electric Institute
- ITC Holdings
- DTE Energy
- Consumers Energy

LABOR AND DOMESTIC ASSEMBLY PROVISIONS SUPPORT EV DEPLOYMENT AND CLIMATE GOALS

The BBB EV consumer tax credit is fully consistent with the Biden administration's ambitious EV deployment targets, and its commitment to truly build back better through reinvestments in workers and communities in the economic recovery. The credit facilitates a future in which we achieve our climate goals through high penetration of electric vehicles that are made here in the U.S.—from battery cell to final assembly—by workers with safe and equitable work environments and good wages and benefits.

The 36C credit is a more generous credit than any previous EV tax credit, which will speed EV adoption (see Figure 1). Today, the existing EV tax credit awards a maximum per-vehicle rebate of $7,500 for any fully electric vehicle. Through 2026, the updated BBB Act credit would award the same $7,500 credit at minimum—while vehicles built in union facilities with domestically manufactured batteries would be eligible for up to $12,500. This will make EVs an even easier choice for more drivers and encourage more rapid production of the vehicles domestically. From 2027 forward, the updated credit would continue to provide all domestically manufactured EVs with a minimum of $7,500, with many eligible for between $8,000 and $12,500 depending on whether the vehicles are built with the highest labor standards, and whether their battery cells are also manufactured in the U.S. More money for a wide range of eligible vehicles enables more drivers to buy EVs and speeds the transition to a decarbonized transportation sector.

Many domestic and foreign automakers are already planning to expand their U.S. EV manufacturing—the updated credit means more domestic EVs and more domestic investment. As soon as 2023, at least 31 domestically-assembled battery electric vehicle models (including cars, SUVs, and pickups) are expected to be available to consumers; 22 of these—from seven different automakers—are expected to cost under $60,000.[5]

As they prepare to meet exploding market demand for cleaner vehicles across all types and sizes, both domestic and foreign headquartered automakers have made promises of tens of billions of dollars for investment in EV and battery production. Many automakers with facilities in the U.S. have signaled their readiness to invest in building EVs domestically as part of their global investment plans (see Figure 2). By encouraging drivers to purchase domestically assembled electric vehicles, the BBB Act's EV

FIGURE 2: Automakers Are Placing Bets on EVs Now

Automaker	Promised Investment in EVs
General Motors	Will stop selling internal combustion engine vehicles by 2035. Investing $35B through 2025 in EV & AV development. Accelerating plans to build two new US battery plants, in addition to in-progress Ohio and Tennessee plants.
Ford	Investing $22B in EV manufacturing through 2025. Doubling production of the F-150 Lightning to meet high consumer demand. Investing $11.4B in three Midwest EV and battery plants. Converting its Sterling Heights, MI transmission plant to build electric motors and transaxles.
Stellantis	Expects EVs and PHEVs to account for 40 percent of US sales by 2030 Expects to offer EV options across all models by 2030 Investing $35B through 2025 company-wide to electrify its vehicle fleet. Investing nearly $230M to retool 3 Indiana plants for powertrain production for EVs.
Hyundai	Investing $7.4B by 2025 in US advanced vehicle technology production.
Mercedes Benz	Investing $1B in EV production – including battery manufacturing – in its facilities across Alabama.
Volvo	Will stop selling ICE vehicles by 2030 Investing $118M in Ridgeville, SC plant to build electric SUV, the Polestar 3.
Volkswagen	Investing $800M in its Chattanooga, TN plant# where the VW electric SUV, the ID.4 will be built – a decision driven in part by the Biden Administration's leadership on federal investment in EV manufacturing and deployment.
Toyota	Recently announced plans to make a $3.4B investment through 2030 in US production of Lithium ion batteries for hybrid & electric vehicles.

See endnote references for figure 2.[9,10,11,12,13,14,15,16,17,18,19,20,21,22,23] consumer tax credit spurs automakers to fulfill their commitments—or make new commitments—to build their EVs here in the U.S. and invest in a robust domestic supply chain.

LABOR AND DOMESTIC ASSEMBLY PROVISIONS ARE CRITICAL TO SAFEGUARD AND CREATE AUTO SECTOR JOBS ACROSS THE U.S. AND IMPROVE WORKING CONDITIONS FOR ALL AUTOWORKERS

Onshoring EV production through the phased-in domestic assembly requirement matters for manufacturing jobs. The decisions that will determine which nations lead in EV development, deployment, and manufacturing are being taken now. Increasing global demand for electric vehicles represents a time-critical opportunity for U.S. manufacturers and workers.

According to recent research from the Economic Policy Institute, **220,000 direct manufacturing jobs hinge on whether policymakers take decisive policy action (such as the phased-in domestic assembly requirement) to onshore the EV supply chain and grow the share of vehicles made in the U.S.**, or fail workers and communities by allowing the future trajectory of EVs to be defined by our global competitors in Europe and Asia.

For every 100 additional jobs in the motor vehicle manufacturing sector, over 1,400 jobs are supported or created throughout the supply chain and in the local economies those jobs and businesses support.[6] The jobs at stake aren't just jobs in auto assembly plants across the Midwest and Southeast; they include jobs in Akron, Ohio making tires, jobs in Mesa, Arizona making airbag systems, jobs in Ravenswood, West Virginia making rolled aluminum, and they include jobs in Sanborn, New York making anode materials for Lithium-ion batteries. They also include the current and future high-skill, union jobs mining the critical minerals needed for EV batteries and cells here in the U.S.

THE COLLECTIVE BARGAINING BONUS BENEFITS UNION AND NON-UNION WORKERS

The collective bargaining bonus in the BBB Act EV consumer tax credit works to reverse downward trends in unionization, wages, and job quality in the industry by reinforcing the broad benefits of unions and encouraging more auto company employers to do right by their workers in the U.S.

Under the updated credit, no EV built in the U.S. will get less than today's $7,500 credit—and some could get more—even if workers are not unionized. But through the $4,500 additional credit for EVs built in facilities with collective bargaining agreements—the collective bargaining bonus—the updated EV consumer tax credit incentivizes greater investment in workers and acknowledges and facilitates the widespread public benefits that emerge when workers are empowered to negotiate good wages, benefit packages, workplace safety standards, and other critical matters with their employers. These benefits are significant for the US economy.

Having a Union Means Better Wages and Working Conditions.

- On average, unionized workers earn 11.2 percent more in wages than non-unionized workers, and the union premium is even greater for Black and Hispanic workers.
- In the auto sector, the median wage at unionized facilities is about $3 per hour, or about 17 percent higher; this statistic understates the difference due to differences in benefits and reliance on temporary staffing at non-union facilities.
- Unionized workers are more likely to have access to health benefits, paid sick days, pension benefits through their employer, and better workplace safety protections.[7]
- The share of Black workers is also significantly higher in unionized auto facilities, despite the fact that non-unionized facilities are predominately located in regions of the country with a higher share of Black workers in the workforce overall.

But Even Non-Union Workers Still Benefit From Unions.

- As unionization has dropped, so too have real wages across the auto sector—with real wages down 20% over the past two decades, even as productivity rises. That means hundreds of billions in losses in workers paychecks and for the communities and local economies those wages support.
- Conversely, where union density remains high, unionized workplaces set a high standard for wages and benefits, non-union workplaces follow.

Bad policies have driven outsourcing and offshoring of the automotive supply chain; now, policymakers have the opportunity to reverse that harmful trend and make sure the jobs of the future are good-paying jobs. Despite the tangible benefits for workers, union density in the US has fallen dramatically in recent decades to about 12% today, despite the fact that nearly 50 percent of non-union workers today say they would vote to join a union if they could. Manufacturing workers continue to suffer from decades of poor industrial and labor policies that fail to protect workers organizing their workplaces, have led to the offshoring and outsourcing, and have driven down wages, benefits, and working conditions of formerly domestic, high-quality auto sector jobs. Action now can help reverse this trend.

Global auto companies see union value in their own countries—just not in the U.S. Foreign automakers who oppose the collective bargaining bonus in the U.S. nonetheless work with unions and invest to provide worker rights and benefits in their home countries—and in most other countries where their cars are assembled. The collective bargaining bonus recognizes and incentivizes automakers not to discriminate against their U.S.-based workers but to provide high standards and benefits to their workers, wherever those workers are located. The 36C credit continues to provide a stable base credit to buyers of any EV built in the U.S.

EV CONSUMER TAX CREDITS ARE A KEY PIECE OF A SUCCESSFUL TRANSITION TO CLEANER VEHICLES

Congress must act now to lead in building the vehicles and good jobs of the future in America. The BBB EV consumer tax credit, with its domestic assembly and collective bargaining provisions, is a significant piece of a broader set of policies needed to ensure that policymakers are using all the tools at their disposal to secure a rapid and equitable transition to the clean vehicles of the future. This set of policies includes:

- Leading clean vehicle standards that establish the market certainty companies need to make major investments in the US;
- Globally competitive investment to rebuild and strengthen domestic manufacturing,[8] onshore and expand a strong and resilient domestic automotive supply chain, and safeguard and create good jobs; and
- Demonstration of public leadership through federal investment in a clean transportation future, including through medium and heavy-duty fleet electrification, the establishment of a strong nationwide EV charging network, and robust transit investments, that will target improved mobility and EV deployment in rural areas and disadvantaged communities.

Moreover, polling shows that voters strongly support investments in rebuilding manufacturing and good jobs, and understand that climate change is a critical and time-sensitive priority.

Truly building back better requires policymakers to leverage all the tools at their disposal to facilitate the transition to EVs, ensure that we make them here in the U.S., and build better jobs in the auto industry. This has the potential to transform not only the vehicles we drive, but also the lives of the workers who build them—ensuring a clean, prosperous, and equitable future for all.

ENDNOTES

1 As in the current 30D credit, the full 36C credit amount only applies to fully electric vehicles. However, under 36C, plug-in hybrid EVs (EVs that can drive on electricity or a gas engine) also continue to receive a credit (between $4000-7500) that is comparable to or higher than the current credit.

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