

2022 in Review: AIADA is Advocating for You

The past year was eventful and AIADA has been hard at work advocating on many issues of importance to America's international nameplate dealers. The following is a review of issues and where they stand as we end 2022 and head into 2023 with the new 118th Congress.

The Inflation Reduction Act/Clean Vehicle Tax Credit

In August, after behind the scenes negotiations, Democrats shocked the capital by announcing a legislative deal on climate and health provisions they called the *Inflation Reduction Act*, which was quickly passed along party lines and signed into law by President Joe Biden on August 16, 2022. The law included a new Clean Vehicle Tax Credit which replaced the previous EV tax credit, and fortunately did not include the union-built requirement AIADA had vigorously opposed. However, the stringent new rules determining consumer and vehicle eligibility for the credit brought new concerns for the international nameplate industry.

The new \$7,500 credit only applies to vehicles with final assembly in North America, and also sets strict new limitations on the origin of critical minerals and components of a vehicle's battery as well as caps on consumer incomes and vehicle MSRPs. Beginning on January 1, 2023, consumers must have an adjusted gross income (AGI) of less than \$300,000 for joint filers, \$225,000 for heads of household, and \$150,000 for individuals, while vehicle MSRPs cannot exceed \$80,000 for trucks, SUVs, and vans, or \$55,000 for other vehicles, such as sedans. The legislation also created a new used vehicle credit of the lesser of \$4,000 or 30 percent of the vehicle price for used EVs not less than two years old with a transaction price of no more than \$25,000. Income limits of \$150,000 (joint), \$112,500 (head of household), and \$75,000 (single) will also be in place.

In late December, the U.S. Treasury Department, which is tasked with issuing rules on how the new CVTC will be implemented, delayed the release of guidance related to new battery and mineral requirements until March of 2023. At that time, in order to qualify for the credit, 40 percent of the minerals in a vehicle's battery must be mined or processed in North America or a country with whom the U.S. has a free trade agreement, and at least 50 percent of a vehicle's battery components must be made or assembled in North America or a country with whom the U.S. has a free trade agreement. Beginning on January 1, 2024, the credit will be available at the point of sale.

The significant new restrictions on eligibility for the clean vehicle credit will make it very difficult for both vehicles and consumers to qualify, limiting choice, and potentially damaging the valued relationships between dealers and their customers. Following the passage of the Inflation Reduction Act, Sen. Raphael Warnock (D-GA) and Reps. Terri

Sewell (D-AL), Eric Swalwell (D-CA), Emmanuel Cleaver (D-MO), and Jimmy Gomez (D-CA) introduced the *Affordable Electric Vehicles for America Act* to address some of the concerns of the international nameplate auto industry and allow for additional time to meet the new requirements. The bill would give automakers until 2026 to meet the North American assembly requirement and until 2025 before the battery sourcing requirements go into effect.

AIADA is working to ensure that the new clean vehicle tax credit will apply to as many clean vehicles sold in the U.S. as possible and submitted [comments](#) to the Department of Treasury to encourage fair implementation of the new law.

Trade Agreements

The Biden Administration has not made the negotiation of new free trade agreements a high priority. Last year the administration chose not to ask for a renewal of Trade Promotion Authority (TPA), also known as “fast track,” which allows presidents to negotiate trade agreements and send them to Congress for an up or down vote with no amendments. Talks initiated during the Trump Administration with both the U.K. and E.U. on unilateral agreements have seen little progress over the last two years. The absence of TPA also frustrates negotiations and causes continued stress on countries looking to work with the U.S.

The passage of the *Inflation Reduction Act*, and particularly the protectionist structure of the clean vehicle tax credit, is a new irritant in relations among the U.S. and its trading partners. South Korea, Japan, and the European Union (EU) have all weighed in with the Biden Administration about their concerns and have even hinted at retaliatory actions if the new law is not implemented fairly. In late December, the US and EU convened a meeting of the US-EU Trade and Technology Council in which the new CVTC was a major topic of discussion.

AIADA supports free trade and the signing of new trade agreements and continues to fight to create, maintain, and preserve a free market for international nameplate automobiles in the United States.

Federal Trade Commission/Regulatory Overreach

Over the summer, the Federal Trade Commission (FTC) issued a new proposed rule, the “Motor Vehicle Dealers Trade Regulation Rule” (FTC regulation No. P204800). The proposed rule covers an extremely wide variety of business operations including advertising regulatory standards, vast disclosure enhancements, and additional recordkeeping. AIADA joined with other auto associations in requesting an extension of the very short comment period put forth by the FTC so that comprehensive and well-researched input could be gathered. Unfortunately, the industry’s requests were denied, and the comment period has closed.

The FTC proposal would:

- ban all products considered to be without benefit to consumers, such as GAP
- prohibit misleading price advertising, such as on the cost of a vehicle or the terms of financing, the cost of any add-on products or services, whether financing terms are for a lease, the availability of any discounts or rebates, the actual availability of the vehicles being advertised, and whether a financing deal has been finalized, among other areas
- prohibit dealers from charging consumers for an add-on without their written consent and would require dealers to inform consumers about the price of the car without any optional add-ons and
- require full upfront disclosure to consumers of a true “offering price” for a vehicle and disclosures about optional add-on fees, including their price and the fact that they are not required as a condition of purchasing or leasing the vehicle.

Compliance with the proposed rule would severely complicate and lengthen the car-buying process for consumers.

AIADA stands with NADA and their effort on the regulatory front to combat this overreach and protect dealers and consumers.

Right to Repair

Several bills aimed at giving vehicle owners and independent repair shops the same access to repair and maintenance tools as franchised dealerships have been introduced in the 117th Congress.

The *Right to Equitable and Professional Auto Industry Repair (REPAIR) Act*, introduced by Rep. Bobby Rush (D-IL); the *Fair Repair Act*, introduced by Rep. Joseph Morelle (D-NY) and Sens. Ben Ray Lujan (D-NM), Cynthia Lummis (R-WY), and Ron Wyden (D-OR); and the *Freedom to Repair Act*, introduced by Rep. Mondaire Jones (D-NY) and Victoria Spartz (R-IN), would require manufacturers to share data relating to motor vehicles, critical repair information, and tools, and to provide proprietary information for the maintenance, service, and repair of motor vehicles. To date, none of the bills have gained traction or garnered a significant number of cosponsors.

AIADA opposes unnecessary “right to repair” legislation as cost-effective access to any information needed to service or repair vehicles is already made available.

Supply Chain/Chip Shortage

Recognizing the need to address the semiconductor shortage that is still crippling supply chains and affecting many industries, particularly the auto industry, legislation was

introduced last year to counter China's influence and incentivize domestic semiconductor production. But Congress was unable to successfully reconcile the Senate package, known as the *U.S. Innovation & Competition Act (USICA)*, with the House package, the *Endless Frontier Act*.

Over the summer, after an extended stalemate, the \$52 billion for domestic semiconductor production, which was included in both the House and Senate legislation and had broad bipartisan support, was passed separately as the *CHIPS and Science Act*. President Joe Biden signed the legislation into law on August 9, 2022.

AIADA supported efforts to ease the chip shortage impacting auto manufacturing and alleviate the inventory shortages impacting dealers.

Arbitration

Anti-arbitration provisions continue to crop up from various avenues.

The *Forced Arbitration Injustice Repeal Act, or FAIR Act*, introduced by Rep. Hank Johnson (D-GA), which would prohibit pre-dispute arbitration agreements in civil rights, consumer, antitrust, and employment disputes, was passed in March by the House in a party-line vote of 222-209. The Senate bill, introduced by Sen. Richard Blumenthal (D-CT), has not advanced.

More targeted anti-arbitration legislation has moved swiftly through Congress. *The Speak Out Act*, introduced by Sen. Kirsten Gillibrand (D-NY) and Rep. Lois Frankel (D-FL), which would make unenforceable any pre-dispute nondisclosure and non-disparagement clauses entered into before a sexual assault or harassment dispute arose, was passed by the Senate by unanimous consent in late September 2022 and passed by the House in November 2022 by a vote of 315-109. President Joe Biden signed the *Speak Out Act* into law on December 7, 2022.

Despite the House version of the *National Defense Authorization Act* containing anti-arbitration language, those provisions were successfully kept out of the final legislation.

AIADA continues to work through a coalition effort with the U.S. Chamber of Commerce to oppose anti-arbitration legislation.

Estate Tax

The Death Tax Repeal Act was introduced in both the House and the Senate early in 2021, but neither bill has gained significant traction. In the Senate, the legislation is sponsored by Sens. John Thune (D-SD) and John Kennedy (R-LA) and has 36 cosponsors. It was introduced in the House by Rep. Jason Smith (R-MO) and has 155 cosponsors.

AIADA has continuously fought to permanently eliminate the Death Tax and strongly advocates for the continuation of stepped-up basis on inherited assets.

Thank you for your partnership in the fight against harmful ideas in Washington, D.C. As always, please feel free to reach out to AIADA's Government Relations team with any questions at 1-800 – GOAIADA or governmentrelations@aiada.org.