



## 2023 in Review: AIADA is Advocating for You

The past year saw many developments from Washington, D.C. and AIADA has been hard at work advocating on issues of importance to America's international nameplate dealers. The following is a snapshot of where things stood as we ended 2023 and head into 2024.

### Clean Vehicle Tax Credit

The Clean Vehicle Tax Credit, authorized in August 2022 through the Inflation Reduction Act, has continued to periodically roll out new requirements since its enactment.

The U.S. Treasury Department, which is tasked with issuing rules for how the CVTC is implemented, released new guidance in March of 2023 on the latest tranche of requirements. Effective April 18, 2023, in order to qualify for the full 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.

In December of 2023, Treasury also released guidance on another provision that went into effect on January 1, 2024, relating to "foreign entities of concern." The new requirements disqualified a vehicle from receiving the credit if any of its battery components are made or assembled by a "foreign entity of concern," such as China. Though automakers received some flexibility, including a two-year phase-in period for enforcing the rule on some difficult-to-trace battery powders, only 13 vehicles now qualify for the tax credit, down from approximately two dozen at the end of 2023.

The CVTC also became available at the point of sale on January 1, 2024 and the IRS launched a new [website](#) through which dealers could register to offer the credit.

Congress has been increasingly active on the issue as well. In June, the House Ways & Means Committee passed the *Build It In America Act*, which, if adopted, would reinstate the 200,000 unit per manufacturer cap and would require that 80% of a battery's minerals be extracted or processed in the U.S. or a Free Trade Agreement partner, and that 100 percent of the vehicle's battery components be manufactured or assembled in North America. It would also define a Free Trade Agreement as having received congressional approval. The legislation has not gained any cosponsors.

In December, Sen. Marco Rubio (R-FL) introduced the *Putting American Autoworkers First Act of 2023*, which would ban automakers that offshore any production from receiving federal incentive programs created under the Inflation Reduction Act, including any of the Clean Vehicle tax credits, for ten years. The legislation has two cosponsors.

**AIADA is working to ensure that clean vehicle tax credit will apply to as many clean vehicles sold in the U.S. as possible and be applied fairly across all brands.**

### **Trade Agreements**

Friction continues between Congress and the Biden Administration as Congress tries to reassert its constitutional authority over international trade.

Trade Promotion Authority (TPA) expired in 2021 and the Biden Administration has not sought to renew it. The administration has shied away from broad free trade agreements in favor of limited, targeted “side” agreements. Over the summer, Congress approved a deal signed by the U.S. Trade Representative (USTR) with Taiwan on trade but included with its approval the requirement that Congress be consulted in future trade negotiations.

Talks on unilateral agreements with the U.K. and E.U., begun under the Trump Administration, have languished. In March of 2023, the U.S. and Japan announced an agreement on minerals which will allow minerals from Japan to qualify for at least part of the CVTC. But, despite several high-level meetings and the convening of a U.S.-E.U. Trade & Technology Council, talks between the U.S. and E.U. on a similar agreement appear stalled, and now have scant hope for significant progress before the November 2024 elections.

**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.**

### **Emissions**

In April of 2023, the Environmental Protection Agency (EPA) unveiled strict new emissions standards for cars and light trucks with model years 2027 through 2032, which, if finalized, would require that two-thirds of new vehicles sold in the U.S. be all-electric by 2032. The proposed new rules are even more aggressive than the Biden Administration’s previously announced goal of 50% of new vehicle sales being electric by 2030.

Congress, particularly Republicans, have been active in attempting to find legislative avenues to roll back or prevent the new standards from going into force.

In May, 151 Republican members of the U.S. House of Representatives sent a [letter](#) and 27 Republican Senators sent a [letter](#) to EPA Administrator Michael Regan asking that the proposed emissions standards be withdrawn.

In June, President Joe Biden vetoed *SJ Res. 11*, which would have rolled back the 2022 EPA rule that set stricter emissions standards for model year 2027 and later. The resolution was passed with the help of Sen. Joe Manchin (D-WV) who voted with Republicans, and the absence of the late Sen. Dianne Feinstein (D-CA) who was not present due to illness.

In September, the House of Representatives passed the *Preserving Choice in Vehicle Purchases Act*, which would essentially prevent states that ban the sale of internal combustion engine vehicles from receiving a Clean Air Act waiver to set their own state standards. Under the Clean Air Act, states can obtain waivers to pursue standards that are stricter than those of the Environmental Protection Agency (EPA). The legislation, sponsored by Rep. John Joyce (R-PA), passed by a largely party-line vote of 222-190, but faces an uphill battle in the Senate, and would face a certain veto by President Biden.

In November, a provision that would rescind funding for the EPA proposed rule was included in the Interior-Environment Appropriations bill which passed the House, but many of the bill's provisions are nonstarters for the Senate. A [letter](#) led by Rep. Lisa McClain (R-MI) urging the preservation of the language removing the EPA funding amassed 220 congressional signatories and was sent to congressional leadership.

In December, the House passed the *Choice in Automobile Retail Sales (CARS) Act* in a largely party-line vote. The legislation, sponsored by Rep. Tim Walberg (R-MI), would permanently prohibit the EPA from finalizing its proposed emissions rule. AIADA released a [statement](#) lauding the vote and urging the Senate to pass its version of the legislation. The Senate bill, led by Sens. Mike Crapo (R-ID), Pete Ricketts (R-NE), and Joe Manchin (D-WV), currently has 33 cosponsors but has not yet seen much movement.

**AIADA continues to activate dealers and dealership employees through an [Action Alert](#) to reach out to their legislators and ask them to continue weighing in with the EPA.**

### **Last In/First Out (LIFO)**

The *Supply Chain Disruptions Relief Act*, which would provide LIFO tax relief for car dealerships using the LIFO accounting method by giving dealers who were unable to replace their new auto inventory during tax year 2020 and 2021 a three-year grace period, was introduced in both the House and Senate in early 2023. The Senate bill, introduced by Senators Sherrod Brown (D-OH) and Tim Scott (R-SC) has 62 cosponsors,

and the House bill, introduced by Reps. Dan Kildee (D-MI) and Jodey Arrington (R-TX) has 163 cosponsors.

**AIADA supports LIFO recapture relief through the Supply Chain Disruptions Relief Act and encouraged legislators to support the legislation.**

### **Federal Trade Commission/Regulatory Overreach**

In the summer of 2022, the Federal Trade Commission (FTC) issued a new proposed rule, the “Motor Vehicle Dealers Trade Regulation Rule” (FTC regulation No. P204800). Auto dealers have strongly disagreed with the FTC’s description and assumptions of the car buying process and compliance with the proposed rule would severely complicate and lengthen the car-buying process for consumers.

AIADA joined with NADA and 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 closed. NADA filed extensive [comments](#) in response to the proposal.

In October, Senators Jerry Moran (R-KS) and Joe Manchin (D-WV) introduced a bill that would require the FTC to re-do its proposed rule. The *FTC REDO Act* would force the agency to issue an advanced notice of proposed rulemaking, a step that was skipped in the formulation of the rule. The legislation would also require studies on auto retailing and consumer product testing be done and a data-driven cost/benefit analysis be published. The *FTC REDO Act* has not currently gained any cosponsors. Similar legislation is expected to be introduced in the House by Rep. Kelly Armstrong (D-ND).

**AIADA stands with NADA and their effort to combat this overreach and protect dealers and consumers.**

### **Right to Repair**

Several so-called “Right to Repair” bills have been introduced in the 118th Congress.

The *Right to Equitable and Professional Auto Industry Repair (REPAIR) Act*, introduced by Reps. Neal Dunn (R-FL), Brendan Boyle (D-PA), Warren Davidson (R-OH) and Marie Gluesenkamp Perez (D-WA), 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. The bill currently has 48 cosponsors.

AIADA joined with a coalition of industry groups on a [letter](#) in opposition of the legislation, citing privacy, safety and cybersecurity concerns, and highlighting that the bill amounts to a solution in search of a problem.

Another bill, the *Save Money on Auto Repair Transportation (SMART) Act*, introduced by Rep. Darrell Issa (R-CA) in March, would reduce the amount of time car manufacturers can enforce patents on repair parts against non-OEM parts suppliers from 14 years to 2.5 years. The bill currently has 12 cosponsors.

Over the summer, the Alliance for Automotive Innovation, the Automotive Service Association, and the Society of Collision Repair Specialists announced that they have reached an updated agreement to affirm the 2014 memorandum of understanding between automakers and the independent repair industry. Under the refreshed deal, independent repair shops will continue to have access to the same diagnostic and repair information automakers make available to their dealers, including data needed to diagnose and repair a vehicle, and also covers all vehicle technologies and powertrains, including battery-electric, plug-in hybrid and fuel cell vehicles. The groups also pledged to work together on education and training, and in support of federal legislation "to codify the various provisions of this commitment, ensuring consumer choice in vehicle repair across the country."

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

### **Arbitration**

The *Forced Arbitration Injustice Repeal (FAIR) Act* was re-introduced in both the House and Senate in the 118th Congress. The *FAIR Act*, which would prohibit pre-dispute arbitration agreements in civil rights, consumer, antitrust, and employment disputes, passed the U.S. House of Representatives in 2022 during the 117th Congress, but then failed to advance in the Senate. The House bill, introduced by Rep. Hank Johnson (D-GA) currently has 97 cosponsors, and the Senate bill, introduced by Sen. Richard Blumenthal (D-CT), currently has 37 cosponsors.

Arbitration is intended to offer prompt resolution of the disputed matter and is faster, and less expensive than an ordinary court proceeding.

**AIADA continues to work through a coalition effort with the U.S. Chamber of Commerce to oppose anti-arbitration legislation, and in July, signed a [letter](#) to Congress with 200 other groups urging the preservation of arbitration.**

### **Estate Tax**

Legislation to repeal the estate tax – or death tax – has been reintroduced in the 118<sup>th</sup> Congress in both the House and Senate. The House bill, *Permanently Repeal the Estate Tax Act of 2023*, introduced by Rep. Bob Latta (R-OH), currently has nine cosponsors. The Senate bill, the *Death Tax Repeal Act*, was introduced by Sen. John Thune (R-SD), and currently has 41 cosponsors.

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