United States House Committee on
Ways & Means
CHAIRMAN JASON SMITH

H.R. 7980, the *End Chinese Dominance of Electric Vehicles in America Act*
Rep. Carol Miller (R-WV)

Background:

- In the so-called *Inflation Reduction Act* (IRA), Democrats created generous new tax subsidies for electric vehicles (EVs), at an enormous cost to American taxpayers.
- While drafting the IRA, Sen. Manchin (I-WV) tried to prevent those subsidies from going to foreign entities of concern (FEOC), like entities with ties to China or other adversaries.
- Pushed by radical environmentalists and EV producers, the **Biden-Harris Administration wrote lenient FEOC rules that benefit China.**

Issue(s):

- The Biden-Harris Treasury created pro-China loopholes in its FEOC regulations.
- Under the language of IRA, EVs are supposed to be ineligible for a tax subsidy if they contain battery components or critical minerals **sourced from an FEOC**. This follows a similar restriction on semiconductor grants included in the CHIPs Act signed by President Biden.
- In **September 2023**, the Commerce Department issued rules under the CHIPs Act that defined an FEOC as follows: *25% or more of the entity's voting interest, or board seats, or equity interest is held directly or indirectly by the government of a country of concern (China, Russia, North Korea, or Iran) or its officials, or by any person that is a citizen, national, or resident of such country.*
- In **December 2023**, Treasury issued FEOC rules for the EV tax subsidies in the IRA but opted to make their version more China-favorable than the Commerce Department's CHIPS rule. Treasury excluded "*any person that is a citizen, national, or resident*" – so an entity owned by a Chinese billionaire could benefit from the EV subsidies as long as his or her ties to the Chinese Communist Party or other hostile government were unofficial.
- Treasury also defined "battery component" very **favorable to Chinese manufacturers**, who, under the Treasury rules, can produce all materials and parts upstream of the battery component and remain eligible to benefit from the EV tax subsidies.

The *End Chinese Dominance of Electric Vehicles in America Act*:

- Prevents **China from receiving a windfall funded by American taxpayers**.
- Closes the **Chinese billionaire loophole** to ensure that Treasury follows the same definition of FEOC developed by the Commerce Department in CHIPS.
- It also closes the **Chinese manufacturing loophole** to prevent China from leveraging its battery supply chain dominance to produce upstream materials, parts, and intellectual properties that are eligible for an EV tax subsidy in the United States.