AUTOS DRIVE AMERICA 2025 POLICY PRIORITIES

SECURING SUPPLY CHAINS AND USING THE POWER OF TRADE TO UNLOCK GROWTH

Autos Drive America believes in the power of trade policy to unlock growth and innovation. Advancing new trade agreements with key international allies and partners including the United Kingdom, Japan, the European Union, and African nations would help to reduce barriers to U.S. exports, spur investment into U.S. industries and jobs, secure our supply chains and harmonize standards. Partnering with our close allies will help keep American automotive manufacturing globally competitive.

International automakers were responsible for $24 billion in vehicle exports in 2023, exporting approximately 762,000 U.S. built vehicles to more than 130 countries and territories. In international automakers' manufacturing states, trade and exports supported nearly 900,000 American jobs that same year.

At a time when affordability is front and center for all Americans, Autos Drive America supports policies to help reduce the price of vehicles, parts, and raw materials, promoting the competitiveness of the U.S. auto industry and providing consumers with more vehicle choices and price points.

Autos Drive America also supports deepening American ties with allied nations to minimize the risk of supply chain disruptions and ensure a steady stream of components that will encourage investment and job creation in the U.S. Allied supply chains also reduce over-reliance on single-source suppliers, decreasing the impact of natural disasters, pandemics, or economic instability in one region.

CONTINUING A STABLE FRAMEWORK FOR NORTH AMERICAN TRADE THROUGH THE UNITED STATES-MEXICO-CANADA AGREEMENT (USMCA)

The USMCA has established a stable framework for North American trade, fostering supply chain integration and regional economic growth. Continuity in its implementation is crucial to maintaining business certainty, sustaining investment flows, and preserving competitive advantages in the global market. Autos Drive America supports policies that uphold the existing structure of the USMCA, emphasize its success in boosting U.S. manufacturing jobs and investments, innovation, and regional collaboration, and ensure that modifications do not disrupt the existing agreement or undermine the confidence of industry stakeholders.

With the required 2026 review quickly approaching, Autos Drive America will advocate for:

- Rules of origin that encourage investment in North America to keep the U.S. automotive industry globally competitive while boosting U.S. economic security;
- Advanced vehicle rules that will allow the auto industry to adapt to rapid technological changes; and
- Policies that continue to build upon the successes of the USMCA.

EXTENDING PRO-GROWTH TAX POLICIES TO SUPPORT U.S. MANUFACTURING

The Tax Cuts and Jobs Act (TCJA) has been a key driver for the U.S. automotive industry to secure new investments toward U.S. manufacturing and create additional jobs for hardworking Americans to support their families. Critical provisions of the 2017 tax law have already sunset with more set to expire at the end of 2025, driving up costs and imposing a tremendous tax burden on original equipment manufacturers. Autos Drive America advocates for the continuation, modification, and modernization of vital policies to ensure the strong manufacturing capabilities of the U.S. and continued growth of U.S. jobs in the auto industry, including:

- ***The immediate expensing of research and development costs to accelerate innovation, advance new technologies and ensure the U.S. auto industry remains competitive:***
  - International automakers operate 76 R&D facilities in 15 states, employing nearly 8,800 American workers.
  - International automakers operate in an intensely competitive global industry and must make strategic choices about investments around the world. Prior to 2022, manufacturers in the U.S. were able to fully deduct their R&D expenses in the year incurred. With the five-year amortization of domestic R&D and 15-year amortization for foreign R&D in place for more than two years, international automakers and their U.S. employees need immediate action to correct this in order to accelerate innovation, advance new technologies and ensure the U.S. auto industry remains competitive.
  - Automotive manufacturers are known for high R&D investments, allocating billions of dollars annually due to the industry's focus on innovation in areas like electric vehicles, autonomous driving, and advanced safety systems. Additionally, many smaller suppliers to international automakers rely on R&D expensing to support investments in innovation and new technologies. Without full R&D expensing, many of these smaller suppliers will have no choice but to shut down or be sold to larger companies, impacting the diverse supply chain needed to support international automakers and our facilities in the U.S.

- ***Support bonus depreciation extension to boost investments in new machinery, plant upgrades, robotics and other critical equipment needed for increased production:***
  - Under TCJA, manufacturers were able to immediately expense 100% of the cost of capital equipment purchases. However, this provision began to phase out in 2023 to 80% and will continue to fall 20% annually until it expires in 2027. International automakers make significant investments in new machinery, plant upgrades, robotics and other critical equipment needed for increased production.
  - In 2023, international automakers produced 4.9 million vehicles across nine states accounting for 48% of all U.S. vehicle production. International automakers are expanding their production in 2025 and beyond, opening six new manufacturing and assembly plants in the U.S. from 2025-2030.
  - Extending the 100% bonus depreciation will allow manufacturers to continue these critical investments while reinvesting funds into research and development, workforce programs and other critical needs to help expand the auto industry in the U.S.

- ***Extend the foreign-derived intangible income (FDII) deduction to grow and preserve innovation in America:***
    - The TCJA shifted the U.S. towards a territorial tax system for international automakers, ensuring that foreign-source income and foreign subsidiaries of U.S. companies are not subject to U.S. taxes on their earnings. This made the U.S. a more competitive and affordable destination for manufacturing investment from international automakers. Ensuring that any modifications to international tax provisions continue to make the U.S. attractive for investment will be key to the success of auto manufacturing in America.
    - The scheduled elimination of the 37.5% FDII deduction would diminish the competitive advantage of international automakers exporting from the U.S. and further attribute to United States' global trade deficit.

- ***Support additional policies that encourage investment in U.S. manufacturing, grow jobs for hardworking Americans, and ensure the affordability of autos for millions of American families.***

SUPPORTING AND DEVELOPING A 21ST CENTURY AMERICAN WORKFORCE

Autos Drive America is committed to giving international automakers' workers the tools and skills needed to advance their careers while helping to solidify the U.S. auto industry's competitive edge on the global stage. To address the industry's growing demand for skilled labor, Autos Drive America supports:

- ***Bipartisan WIOA reauthorization to modernize and streamline federal workforce programs to better serve business and workers:***
    - In the 118th Congress, the House and Senate negotiated an agreement on the bipartisan "A Stronger Workforce for America Act." While the bill unfortunately was not considered before the end of the year, Autos Drive America urges members of Congress to reintroduce and pass the negotiated bill.
    - A "Stronger Workforce for America Act" would take significant steps to provide more direct reskilling and upskilling to American workers, create more opportunities for workers, and improve America's competitive advantage on the global stage.

  - Autos Drive America supports key provisions of the bill that support employer-led and on-the-job workforce upskilling programs and opportunities; include more dollars for tangible worker programs; ensure programs are aligned with in-demand jobs for better workforce opportunities; allow for better evaluation of program success, and improve efficiency and effectiveness of workforce programs.

- ***Industry-recognized apprenticeship programs to expand workforce opportunities and training for American workers:***
  - Autos Drive America members offer approximately 140 workforce development programs in the U.S. and 95 percent of automotive assembly operations offer onsite learning facilities. A number of these critical workforce education programs are industry-recognized apprenticeship programs and employer-led opportunities that encourage students to pursue career and technical education while giving current employees opportunities to reskill and upskill their manufacturing competencies.
  - During his first term, President Trump’s Department of Labor issued a final rule that established a system for recognizing and advancing the development of high-quality industry recognized apprenticeship programs. In the 118th Congress, the “Training America’s Workforce Act” (S. 1213), would have codified much of this rule into law and make apprenticeship programs more responsive to industry workforce needs.
  - The automotive industry faces a significant shortage of skilled workers and allowing federal recognition of effective programs recognized by employers and industry will provide more opportunities for America’s workers to gain the skills they need for a successful career.

- ***Expanded use of Pell grants to provide funding for underserved communities to gain skills and education in manufacturing:***
  - As the landscape of the workforce continues to evolve, job openings in skilled trades skyrocket, and the demand for specialized skills—in a wide range of industries from manufacturing to construction—grows exponentially, it's evident that trade schools and industry workforce programs offer viable and lucrative opportunities.
  - In the 118th Congress, the U.S. House passed the ‘Bipartisan Workforce Pell Act” (H.R. 6585) that would expand the use of Pell grants for students and workers enrolled in high-quality, short-term education programs that will lead to career advancement.

- Prioritizing legislation that empowers individuals to pursue vocational education and acquire in-demand skills will ensure that the automotive industry in the U.S.—and the American workforce—remains competitive in the global marketplace.

ENCOURAGING INNOVATION

The U.S. auto industry is at the forefront of innovation, vehicle safety and the transition to electrification and is currently undergoing its most dramatic shift since the introduction of the Model-T. Congress has an incredible opportunity to solidify the United States' position as the industry's global leader and allow the U.S. to leapfrog our global competitors, particularly China. Securing critical supply chains and maintaining key provisions of the Inflation Reduction Act (IRA) will help grow our economy and maintain the United States' global competitiveness. Autos Drive America urges Congress to:

- ***Bolster U.S. and allied critical mineral and battery supply chains:***
  - Autos Drive America supports policies to expand the United States' access to regions with significant critical mineral resources but nascent infrastructure to ensure these regions receive proper economic benefits from their mineral wealth, and that their workers have the appropriate protections and compensation.

- ***Maintain 45X advanced production credits to allow continued upgrades to domestic industry and compete against China:***
  - The U.S. is quickly becoming a leader in EV and battery production, with 11 new factories adding 160 GWh of battery production capacity in the U.S. coming online by 2025.
  - International automakers continue to invest in EV and battery manufacturing in the U.S., providing careers in this developing, innovative industry, with current or future green vehicle and battery manufacturing facilities in 10 states (Texas, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Tennessee, Kentucky, Ohio, and Indiana).
  - This past year, international automakers announced a $3.5 billion investment for a battery plant in Ohio, $15 billion for a new battery facility in North Carolina, and $1 billion to expand EV production in South Carolina. These investments will support good-paying American manufacturing jobs for years to come.

- ***Maintain 30D, 45W, 25E clean vehicle credits to help offset costs for consumers and establish a market that competes with China:***
    - EV tax credits help reach into the underdeveloped EV markets in the U.S., allow for groundbreaking technology to come into play, and lower costs of these vehicles for future users. Green vehicles production by international automakers in the U.S. has increased 58% since 2018. In 2023, international automakers produced 30 green vehicle models in the U.S., including 21 hybrid vehicles, 4 battery electric vehicles (BEV), and 5 plug-in hybrid electric vehicle (PHEV) models.

- ***Support permitting reform*** to encourage U.S. critical mineral mining and fast-track mineral refining capacity, increase transmission line capacity and U.S. energy generation capacity.

- ***Support policies that keep American energy reliable and affordable*** so that the automotive industry can continue its success and growth.

SHORING UP U.S. INFRASTRUCTURE FOR THE 21ST CENTURY

U.S. auto manufacturers rely on the U.S. infrastructure system to keep the automotive manufacturing supply chain running smoothly. Without investment in the maintenance of our nation's roads, bridges, rail systems and waterways, the industry is at risk of facing decreased productivity, hindering its competitiveness on the global stage.

Autos Drive America supports policies that will keep our nation's infrastructure in a state of good repair, including:

- ***Funding for the continued maintenance of our nation's harbors and waterways*** in order to facilitate the import and export of goods.
- ***Policies to avoid freight rail disruption and stoppages*** that would diminish the efficacy of our national supply chains.
- ***Efforts to raise truck weight limits*** in order to effectively transport components needed to make 21st century vehicles.