



Insight

Congress Should Let Wasteful Tax Credits Expire

DOUGLAS HOLTZ-EAKIN | DECEMBER 7, 2011

This Thanksgiving, I visited my mother at her retiree community in Florida. When she moved there I remember people walking, or getting around by tram. This time, I saw an army of golf carts. Government-subsidized golf carts.

The Emergency Economic Stabilization Act of 2008 included a low-speed electric vehicle tax credit, applying to vehicles purchased in 2009. More than 20 companies got approval for golf cart-like vehicles that year; many were specifically designed to receive credits up to the full purchase price of the vehicle. That means some folks got free golf carts, courtesy of Uncle Sam. Talk about waste.

That's the beauty of expiring tax credits: We get to step back and reevaluate if this is really how we want to use limited resources. In the case of energy tax credits, especially in the current fiscal climate, there's a better way to spend government funds.

Many argue that tax credits promote economic growth in emerging markets and level the playing field with incumbent technologies. Instead, these subsidies muddy the playing field by playing favorites; growth booms in favored industries, and languishes in others. This isn't the proper role of government. Rather than identifying those energy technologies most in need of subsidies, Congress should be working to promote vigorous competition in an open market; set tax rates that encourage growth, income, and employment; and support foundational research that will generate fodder for new innovations and technologies in the future.

Mike Pompeo's [Energy Freedom and Economic Prosperity Act](#), introduced last month, is a step in the right direction. HR 3308 wipes out existing energy tax credits, dedicating the savings to creating a low, flat corporate income tax. Instead of promoting existing and emerging energy technologies piecemeal, the Pompeo bill asks companies to compete – without subsidy – under a straightforward and business-friendly tax structure.

This is where government best serves the economy and the country: Setting clear, understandable terms for competition. Energy credits offer unfair advantage to a limited subset of technologies. If that funding went to support a simplified tax code and existing basic research programs, we could leave picking winners to the market. Hopefully, Congress will soon update our tax code through comprehensive reform. Till then, letting

these tax credits expire is a great start.