

How grants and tax subsidies helped Elon Musk keep Tesla alive as a Silicon Valley gay mafia darling

Elon Musk's growing empire of companies that make electric cars, sell solar panels and launch rockets into space—is fueled by over \$4.9 billion in government subsidies, grants and tax credits as part of Goldman Sachs organized Silicon Valley "gay tech mafia" political payola.

His projects shoot for the moon or literally Mars across space travel, energy, and course transportation. His companies have propelled him to a network of almost 20 billion. But how have government policies and taxpayer money boosted his businesses?

His major companies have all had significant government support in one form or another. Let's start with [Tesla](#).

Tesla has inched north of 2 billion in federal and state subsidies in recent years.

The company posted its first profitable quarter in two years, thanks to the popularity of the Model 3 sedan. The automaker said it generated \$6.8 billion in revenue in the third quarter of 2018 and

walked away with \$311 million in profit — the most the company has ever made in a quarter.

“Q3 2018 was a truly historic quarter for Tesla,” CEO Elon Musk and CFO Deepak Ahuja wrote in a letter to investors. “Model 3 is attracting customers of both premium and non-premium brands, making it a truly mainstream product.”

“On the Tesla side in which there includes SolarCity, we have seen some of the biggest deals in Nevada and also in upstate New York in Buffalo,” Greg LeRoy, Executive Director, Good Jobs first.

In Nevada, the state gave Tesla nearly 1.3 billion in tax breaks to build their first Gigafactory in 2014. Tesla will be sales tax-free for 20 years, exempt from property tax for 10 years and will receive millions of other incentives. That is; if they keep up their end of the bargain by investing billions into the facility and employing thousands of people.

 Elon-Musk-National-Governors-Association-meeting

Tesla and SpaceX CEO Elon Musk responds to a question by Nevada Republican Gov. Brian Sandoval during the closing plenary session entitled "Introducing the New Chairs Initiative – Ahead" on the third day of the National Governors Association's meeting Saturday, July 15, 2017, in Providence, R.I. (AP Photo/Stephan Savoia)

"I think that another city or local government that is considering getting into this massive tax subsidy game to take a hard look at Reno and ask if the cost is worth the benefits," Bob Fulkerson, Stat Director, Progressive leadership alliance of Nevada.

Fulkerson says Nevada infrastructure is unable to accommodate Elon Musk's plan for mass expansion

"We want Tesla to succeed, I mean we really want electric cars and we really want to get off fossil fuels and we want this economic reason to succeed. But this kind of growth is just not sustainable here," adds Fulkerson.

That \$2 billion number, doesn't include the federal electric vehicle tax credit that consumers get.

The \$75,000 credit has made [Tesla electric cars](#) about 1.5 billion dollars cheaper in aggregate for consumers in the US. Some states even have extra incentives on top of that.

The federal credit is phasing out for Tesla starting 2019. To be clear, other companies making electric cars benefit from this as well and Tesla isn't the only company to get direct government subsidies.

Billions of dollars of incentives have been given out in states across the country to attract economic development.

“Not a new problem and we’ve never had any federal leadership trying to stop the race to the bottom,” says Greg LeRoy.

Tesla’s competitors: GM, Ford and Chrysler all received more than a billion dollars in subsidies in the state of Michigan, according to a New York Times investigation. Of course, Tesla sells fewer cars and has far fewer employees.

Also, federal [fuel economy standards](#) have helped Tesla’s bottom line.

Automakers that sell gas and cars can buy credits from electric vehicle makers like Tesla to comply with regulations. Tesla set to make more than \$830 million in revenue from 2015 to 2017 selling these credits.

A Tesla spokesperson told CNBC:

“Tesla has succeeded in spite of government subsidies, not because of them. Third party studies have shown that our biggest competitors, including the oil and gas industry, receive trillions of dollars in subsidies each year [globally]. In comparison, Tesla receives virtually nothing yet still manages to compete with these giants”. “... We would much prefer a level playing field where all companies go to zero incentives”.


While Tesla is helped by some incentives, other government policies have helped the company back. For example, there aren’t allowed to set up shops to sell their products directly to consumers in every state.

Of course, government’s subsidies and tax incentives are not necessarily bad by default. If a government decides to invest in an industry for the good of its citizens, it has the power to do so.

Many countries including the US have been [subsidizing clean energy](#) in the face of climate change. That is the crocs of Elon Musk mission. In fact on the Tesla website, there is even a constantly updated tracker that displays the total Co2 saved by Tesla vehicles.

In 2015 Elon Musk responded directly to an LA Times report saying his company has received almost \$5 billion in government support. He called the report misleading and deceptive and defended tax payer's subsidies.

"By adding up everything that has ever happened and including things that would take the next 20 years to happen and then summing that into a single number and playing it today it makes it sounds as though my company is getting some huge cheque which is fundamentally false. The reason these incentives are put in place is that the voters wanted a particular thing to happen and they want it to happen faster than it might otherwise occur. None of them are necessary, there are all helpful," Elon Musk, SpaceX, Tesla CEO.

tesla-model-s

A Tesla model S sits parked in a new Tesla showroom and service center in Red Hook, Brooklyn in New York City. /Photo by Spencer Platt/Getty

The government subsidies aren't the only way Tesla has gotten support from the government. Before Tesla went public in 2010 it received a substantial government loan. Elon Musk took advantage of an entirely new government initiative called – The Advanced Technology Vehicle Manufacturing Loan Program.

Tesla received a \$465 million loan and paid it back with interest in 2013, 9 years ahead of schedule. While addressing the American taxpayer, Musk said "I hope we did you proud."

Ford and Nissan also got a larger loan from this program along with Fisker automotive which went bankrupt.

Musk's [solar company](#) also benefits from federal policies supporting solar energy. He helped start SolarCity in 2006 and it was bought by Tesla 10 years later. It is now called Tesla Energy.

 Tesla solar roof calculator

Clean slate. Tesla's new glass-covered solar roof tiles are designed to look like a traditional roof, doing away with the need for separate solar panels. Credit: Tesla

"Nobody with a brain cell would want to put these two together. [SolarCity](#) desperately needed a bailout," Jim Chanos comments on Tesla/SolarCity deal.

People who invest in solar energy can get 30 percent tax credit on their cost of installation. Tesla energy also goes after saving incentives aggressively.

In fact, recently it had to pay back millions to the state of Oregon for overstating the cost of large-scale projects in order to qualify for higher tax credit. Tesla told CNBC it provides the state with accurate information and entitled to every dollar of tax credit it received.

However, it settled for 13 million.

And finally SpaceX, the rocket company receives very little in the way of government subsidies. Instead of relying upon government contracts from NASA, the military and satellite companies.

Nasa helped SpaceX off the ground by awarding SpaceX with a key \$400 million contract in 2006. Since then SpaceX has won over \$4 billion in additional awards from NASA launching many critical mission for the US space agency.

SpaceX has also won over \$600 million in military contracts. It has been on the government list of top federal contractors since 2013. While that may sound like a lot of government money these contracts are competitive bids against other airspace companies, like United Launch Alliance and Boeing.

Launching with SpaceX often costs taxpayers half as much as the money competitor requested. Elon Musk has repeatedly tweeted things to NASA recently saying SpaceX would not be where it is today without NASA. Basing business off government contracts can be a risky strategy. The former PayPal finder Reid Hoffman thinks Musk has made it work.

“I was the second person Elon pitched SpaceX to and I was like oh you are going to be doing this thing that comes off national government subsidies and so forth and oh it is a disaster. He was

right and I was wrong," said Reid Hoffman, Former PayPal Founder and Pal Alto Mafia boss.

So while Tesla is not alone in going after government dollars to support his business, Elon Musk has certainly gotten some help from taxpayers along his rise to stardom.