

Green stimulus profiteer Musk comes under IRS scrutiny

by [Timothy P. Carney](#)

Vice President Biden snickered during last week's debate at the suggestion there was waste, inefficiency or cronyism in the 2009 stimulus bill.

If he can stop cackling for long enough, Biden, the self-proclaimed "stimulus sheriff" should sit down with the IRS officials and the federal inspector general who are investigating a solar company owned by leading Obama donor and subsidy recipient Elon Musk.

Musk, as he cashes in on his solar investment by taking his company SolarCity public this month, had to make an awkward admission in his financial filings with the Securities and Exchange Commission.

The Internal Revenue Service is auditing SolarCity, the SEC filings reveal, and at the same time the Treasury Department's inspector general is investigating the company. The question at hand: Did President Obama's Treasury Department inappropriately give stimulus money to Musk's company.

Obama's stimulus transformed a long-standing tax credit for renewable energy investment into a direct grant from Treasury,

worth 30 percent of a company's investment in a renewable project. Musk's company has applied for approximately \$325 million in these stimulus grants, according to the SEC filing.

Treasury found that SolarCity repeatedly overstated the value of its investments, the SEC filings indicate. In those cases, Treasury awarded smaller grants than SolarCity had tried to claim. Now the department's IG and the IRS are doing a broader audit of the projects for which SolarCity and other large solar companies got stimulus cash. Investigators want to know if the companies regularly overstated the value of their investments and thus got overly generous taxpayer grants.

While no government body has accused SolarCity of wrongdoing, the company disclosed: "[I]f at the conclusion of the investigation the Inspector General concludes that misrepresentations were made, the Department of Justice could decide to bring a civil action to recover amounts it believes were improperly paid to us."

The Obama administration's possible mismanagement of the grant program is one issue here. Musk's intimate ties to politics are another.

Musk is the paradigmatic political entrepreneur, launching businesses that seek to capitalize on government favors and lobbying clout rather than provide goods or services that consumers demand.

Musk is CEO of and the biggest investor in Tesla Motors, an electric car company that depends on stimulus money and other subsidies. He also founded Space Exploration Technologies, or SpaceX, whose primary customer is the federal government.

Musk has personally given more than \$100,000 to Obama's re-election campaign, including two gifts of more than \$30,000 each to the Obama Victory Fund, which divides the money between the maximum allowable donations to the Democratic National Committee and the maximum to the Obama campaign. (Musk has also given generously to Republicans.)

Keep those max gifts in mind when Obama says he rejects donations from lobbyists. Musk is not a registered lobbyist, but he lobbies. Hard. In early 2010, auto industry news site Autoblog described his lobbying on Tesla's behalf: "Musk flew to Washington D.C. at least a dozen times since early 2009 to help make the case to the Department of Energy for nearly half a billion dollars in low interest loans as part of the Advanced Technology Vehicle Manufacturing program."

Tesla got that \$465 million loan from Obama's DOE in order to produce the Model S, an all-electric plug-in car, which will also benefit from other stimulus goodies. This summer, Tesla began delivering the taxpayer-subsidized cars at \$50,000 a pop.

Musk touts SpaceX as the cutting edge of free-enterprise space exploration, but so far the company's revenue seems to come mostly from Uncle Sam. My *Washington*

Examiner colleague Richard Pollock reported that NASA has given \$824 million to SpaceX through a special program known as the Space Act Agreements, which circumvents much of the oversight in other federal spending. Most notably, SpaceX just delivered freight to the International Space Station.

Musk's Obama ties go beyond his maximum donations.

One of Tesla's major investors is the Westly Group, founded by Steve Westly, who also sat on Tesla's board of directors. Westly is a top-tier Obama bundler, having raised more than \$1.5 million for Obama over his two elections, according to the New York Times.

Obama put Westly on an energy policy advisory board, which was charged with giving recommendations on modifying federal subsidies to buyers of electric cars.

Musk has also recruited some of K Street's best-connected Democratic lobbyists. In the weeks after Obama's election in 2008, SolarCity and Tesla both hired McBee Strategic, the lobbying firm at the center of the green-energy subsidy universe. SolarCity and Tesla also retain the Podesta Group, founded by Obama confidant and transition director John Podesta.

Joe Biden might find this all funny, but taxpayers, if they knew, wouldn't likely be entertained