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Tesla's 'Key Element Of Profitability' At Stake As Trump's 'Big, Beautiful Bill' Threatens Major Revenue Stream

By Namrata Sen
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Elon Musk's Tesla Inc. is facing a new challenge to its revenue model, which could have significant implications for the electric vehicle (EV) maker.

What Happened: The Senate Committee on Commerce, Science, and Transportation has suggested the removal of penalties for auto companies that do not meet specific fuel economy standards. This could affect Tesla's ability to sell regulatory credits, a major contributor to its profit, [reported](#) Fortune. The proposal is part of President Donald Trump's 'Big, Beautiful Bill.'

Companies that manufacture energy-efficient vehicles are awarded these credits. Tesla, being an electric vehicle producer, has accumulated these credits and sold them to other manufacturers like Ford and Stellantis, who find it challenging to meet the standards. However, the proposed changes would render these credits unnecessary, effectively nullifying the CAFE (Corporate Average Fuel Economy) standards.

Tesla's profitability heavily relies on regulatory credits. In fiscal 2024, it earned \$2.76 billion from these credits and \$595 million in Q1 2025. Without them, Tesla's \$420 million net income in Q1 2025 would not have been possible.

The proposal is part of a broader initiative by the Trump administration to reduce auto sustainability standards. If the bill is passed, it could lead to a \$2 billion reduction in Tesla's revenue, as per JPMorgan analysts

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Why It Matters: This proposed Senate bill follows President Donald Trump's 'Big Beautiful Bill,' which was recently passed by the Republicans in Congress and could pose significant challenges for Tesla and other electric vehicle manufacturers. The bill [abolishes](#) the \$7,500 EV Tax Credit by the end of 2025 for automakers who have sold over 200,000 electric vehicles in the U.S. This could lead to a surge in demand for Tesla vehicles towards the end of 2025, but a significant drop is expected in 2026.

Furthermore, Tesla CEO Elon Musk's severe criticism of the Trump administration's tax bill has been met with skepticism and caused Tesla stock to tank nearly 14% on a single day. With the feud between the two cooling off, the shares have pared losses. Ross Gerber, CEO and Co-Founder of Gerber Kawasaki, mocked Musk's criticism, stating, "Amazingly Elon now attacking all the people he helped put in power. This should work out well for Tesla I'm sure."

Benzinga's Edge Rankings place Tesla in the 82nd percentile for quality and the 92nd percentile for growth, reflecting its strong performance in both areas. Check the detailed report [here](#).

On Tuesday, the shares closed 5.67% higher at \$326.09.

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