

SUMMARY: THE INFLATION REDUCTION ACT OF 2022

The *Inflation Reduction Act of 2022* will make a historic down payment on deficit reduction to fight inflation, invest in domestic energy production and manufacturing, and reduce carbon emissions by roughly 40 percent by 2030. The bill will also finally allow Medicare to negotiate for prescription drug prices and extend the expanded Affordable Care Act program for three years, through 2025.

The new proposal for the FY2022 Budget Reconciliation bill will invest approximately \$300 billion in Deficit Reduction and \$369 billion in Energy Security and Climate Change programs over the next ten years.

Additionally, the agreement calls for comprehensive Permitting reform legislation to be passed before the end of the fiscal year. Permitting reform is essential to unlocking domestic energy and transmission projects, which will lower costs for consumers and help us meet our long-term emissions goals.

TOPLINE ESTIMATES:

TOTAL REVENUE RAISED	\$739 billion
<i>15% Corporate Minimum Tax</i>	<i>313 billion*</i>
<i>Prescription Drug Pricing Reform</i>	<i>288 billion**</i>
<i>IRS Tax Enforcement</i>	<i>124 billion**</i>
<i>Carried Interest Loophole</i>	<i>14 billion*</i>
TOTAL INVESTMENTS	\$433 billion
<i>Energy Security and Climate Change</i>	<i>369 billion***</i>
<i>Affordable Care Act Extension</i>	<i>64 billion**</i>
TOTAL DEFICIT REDUCTION	\$300+ billion

* = Joint Committee on Taxation estimate

** = Congressional Budget Office estimate

The Inflation Reduction Act:

- Enacts historic deficit reduction to fight inflation
- Lowers energy costs, increases cleaner production, and reduces carbon emissions by roughly 40 percent by 2030
- Allows Medicare to negotiate drug prices and caps out-of-pocket costs to \$2,000
- Lowers ACA health care premiums for millions of Americans
- Make biggest corporations and ultra-wealthy pay their fair share
- There are no new taxes on families making \$400,000 or less and no new taxes on small businesses – we are closing tax loopholes and enforcing the tax code.

SUMMARY: CLOSING TAX LOOPHOLES IN THE INFLATION REDUCTION ACT OF 2022

Senate Democrats are submitting a tax revenue proposal to the Senate Parliamentarian for inclusion in reconciliation that would raise approximately \$450 billion to pay for deficit reduction, clean energy, and climate investments. The proposal's two main components would re-build the IRS and impose a 15% Corporate Minimum Tax to ensure the wealthiest Americans and corporations cannot avoid paying their fair share of taxes. By investing \$80 billion over the next ten years for tax enforcement and compliance, the Congressional Budget Office estimates the IRS will collect \$203 billion. Additionally, the proposal would impose a 15% domestic tax on the approximately 200 largest corporations that currently pay less than that corporate tax rate. This provision will raise \$313 billion.

Every year, hardworking American families pay their taxes on time while wealthy millionaires and billionaires avoid paying the taxes they owe to the federal government. The IRS needs resources to tackle this challenge. Without these new investments, those at the top will be able to get away with more and more tax avoidance. That's not fair to the tens of millions of honest, hardworking taxpayers who play by the rules.

According to [recent polling](#), *nearly three-quarters of Americans believe the IRS should conduct more tax audits of large corporations and millionaires.*

FUNDING THE INTERNAL REVENUE SERVICE AND IMPROVING TAXPAYER COMPLIANCE

This provision appropriates 10-year funding for the IRS as follows:

- \$3,181,500,000 for taxpayer services,
- \$45,637,400,000 for enforcement,
- \$25,326,400,000 for operations support, and
- \$4,750,700,000 for business systems modernization.

These appropriated funds are to remain available until September 30, 2031, and no use of the funds is intended to increase taxes on any taxpayer with taxable income below \$400,000.

The provision also provides \$15,000,000 of funds for the IRS to prepare and deliver a report to Congress on the cost of developing and running a free direct efile tax return system. The provision permits the Secretary to exercise greater flexibility with respect to personnel, including certain "direct hire" authority.

15% CORPORATE MINIMUM TAX

The current statutory corporate tax rate is 21%. However, some 200 or more large corporations use tax loopholes to avoid paying that rate and actually pay below 15%.

The corporate alternative minimum tax (AMT) proposal would impose a 15 percent minimum tax on adjusted financial statement income for corporations with profits in excess of \$1 billion. Corporations would generally be eligible to claim net operating losses and tax credits against the AMT, and would be eligible to claim a tax credit against the regular corporate tax for AMT paid in prior years, to the extent the regular tax liability in any year exceeds 15 percent of the corporation's adjusted financial statement income.

This provision would be effective for taxable years beginning after December 31, 2022.

Topline Messages for Senate Prescription Drug Pricing Reforms – FY22 Budget Reconciliation

Finally empowers Medicare to begin negotiating directly for the price of prescription drugs in 2023. Currently, our drug pricing system works for corporations and middlemen, not patients. The new negotiation policy will ensure that patients with Medicare get the best deal possible on high-priced drugs and pay cost-sharing for those drugs based on the Medicare negotiated price.

Caps Medicare patients' out of pocket costs at \$2,000 per year, with the option to break that amount into affordable monthly payments. Today, there is no cap on spending for prescription drugs seniors buy from pharmacies. This proposal ensures that devastating diagnoses, like cancer, will never again mean paying tens of thousands out of pocket for just one drug.

Institutes a new "inflation rebate" under Medicare. Drug companies should not be empowered to take arbitrary and unjustified price increases on products that are not changing year-to-year. This proposal requires drug companies to rebate back the difference to Medicare if they raise prices higher than inflation.

Puts more financial responsibility on insurance and drug companies to keep prices down. Patients are paying exorbitantly high prices while insurers and manufacturers rake in huge profits and negotiate secret discounts and agreements. Experts agree that the current Medicare Part D framework lets both insurers and drug companies off the hook for high drug prices – in fact, the system incentivizes higher drug prices by allowing insurers to pay less when drug prices go up. The bill changes that dynamic by incentivizing both manufacturers and insurers to keep drug prices down – it puts them on the hook for higher drug prices and spending to tamp down artificially high prices jointly set by big pharma and pharmacy benefit managers.

Stabilizes Part D premiums for seniors in Medicare. The proposal holds annual premium growth to existing levels so that insurers and manufacturers can't pass their new financial responsibilities on to seniors.

Provides free vaccines for seniors. Finally makes all vaccines free in Medicare for seniors, the only population for which vaccines were not already free.

Closes the "rogue Secretary" loophole. The proposal would close a loophole in the House-passed bill that would have allowed a bad actor Republican secretary to refuse to negotiate or negotiate fewer than the maximum number of drugs. The bill now requires the Secretary to negotiate the maximum number of drugs each year, to the extent that number of drugs qualify for negotiation.

Expands premium and co-pay assistance on prescription drugs for low-income individuals. Currently, the low-income subsidy program (LIS) under Medicare Part D is fully available to all seniors earning less than 135% of the federal poverty level, and partially available to seniors earning less than 150% of the federal policy level. The bill eliminates the partial subsidy status, giving those seniors the full low-income subsidy under Medicare Part D.

Summary of the Energy Security and Climate Change Investments in the Inflation Reduction Act of 2022

Both high energy costs, and the growing impacts of climate change, pose a significant burden to every American. The historic investments included in the *Inflation Reduction Act of 2022* will bring down consumer energy costs, increase American energy security, while substantially reducing greenhouse gas emissions.

The combined investments in the FY2022 Budget Reconciliation bill would put the U.S. on a path to roughly 40% emissions reduction by 2030, and would represent the single biggest climate investment in U.S. history, by far.

The Inflation Reduction Act:

1. ***Lowers energy costs for Americans*** through policies that will lower prices at the pump and on electricity bills, help consumers afford technologies that will lower emissions and energy prices, and reduce costs that would otherwise be passed on to them.
2. ***Increases American energy security*** through policies to support energy reliability and cleaner production coupled with historic investments in American clean energy manufacturing to lessen our reliance on China, ensuring that the transition to a clean economy creates millions of American manufacturing jobs, and is powered by American-made clean technologies.
3. Invests in ***decarbonizing all sectors of the economy*** through targeted federal support of innovative climate solutions.
4. ***Focuses investments into disadvantaged communities*** to ensure that communities that are too-often left behind will share in the benefits of the transition to a clean economy.
5. Supports ***resilient rural communities*** by investing in farmers and forestland owners to be part of growing climate solutions, and by ensuring rural and communities are able to better adapt to a rapidly changing climate.

1. Lower Consumer Energy Costs

This bill will provide a range of incentives to consumers to relieve the high costs of energy and decrease utility bills. This includes direct consumer incentives to buy energy efficient and electric appliances, clean vehicles, and rooftop-solar, and invest in home energy efficiency, with a significant portion of the funding going to lower-income households and disadvantaged communities.

- \$9 billion in **consumer home energy rebate programs**, focused on low-income consumers, to electrify home appliances and for energy efficient retrofits.
- 10 years of **consumer tax credits to make homes energy efficient and run on clean energy**, making heat pumps, rooftop solar, electric HVAC and water heaters more affordable.
- \$4,000 consumer tax credit for lower/middle income individuals to buy used-clean vehicles, and up to \$7,500 tax credit to buy new clean vehicles.
- \$1 billion grant program to make affordable housing more energy efficient.

2. American Energy Security and Domestic Manufacturing

This bill will support energy reliability and cleaner energy production coupled with historic investments in American clean energy manufacturing. It includes over \$60 billion to on-shore clean energy manufacturing in the U.S. across the full supply chain of clean energy and transportation technologies. These manufacturing incentives will help alleviate inflation and reduce the risk of future price shocks by bringing down the cost of clean energy and clean vehicles and relieving supply chain bottlenecks.

- Production tax credits to accelerate U.S. manufacturing of solar panels, wind turbines, batteries, and critical minerals processing, estimated to invest \$30 billion.
- \$10 billion **investment tax credit to build clean technology manufacturing facilities**, like facilities that make electric vehicles, wind turbines and solar panels
- \$500 million in the Defense Production Act for heat pumps and critical minerals processing
- \$2 billion in **grants to retool existing auto manufacturing facilities to manufacture clean vehicles**, ensuring that auto manufacturing jobs stay in the communities that depend on them.

- Up to \$20 billion in loans to build new clean vehicle manufacturing facilities across the country.
- \$2 billion for National Labs to accelerate breakthrough energy research.

3. Decarbonize the Economy

The investments in this bill will reduce emissions in every sector of the economy, substantially reducing emissions from electricity production, transportation, industrial manufacturing, buildings, and agriculture.

- Tax credits for clean sources of electricity and energy storage and roughly \$30 billion in targeted grant and loan programs for states and electric utilities to accelerate the transition to clean electricity.
- Tax credits and grants for clean fuels and clean commercial vehicles to reduce emissions from all parts of the transportation sector.
- Grants and tax credits to reduce emissions from industrial manufacturing processes, including almost \$6 billion for a new Advanced Industrial Facilities Deployment Program to reduce emissions from the largest industrial emitters like chemical, steel and cement plants.
- Over \$9 billion for Federal procurement of American-made clean technologies to create a stable market for clean products, including \$3 billion for the U.S. Postal Service to purchase zero-emission vehicles.
- \$27 billion **clean energy technology accelerator** to support deployment of technologies to reduce emissions, especially in disadvantaged communities.
- A **Methane Emissions Reduction Program** to reduce the leaks from the production and distribution of natural gas.

4. Invest in Communities and Environmental Justice

Building on regular engagement with EJ leaders from across the country, this package includes over \$60 billion in environmental justice priorities to drive investments into disadvantaged communities. Some of the highlights include:

- The **Environmental and Climate Justice Block Grants**, funded at \$3 billion, invest in community led projects in disadvantaged communities and community capacity building centers to address disproportionate environmental and public health harms related to pollution and climate change.
- The **Neighborhood Access and Equity Grants**, funded at \$3 billion, support neighborhood equity, safety, and affordable transportation access with

competitive grants to reconnect communities divided by existing infrastructure barriers, mitigate negative impacts of transportation facilities or construction projects on disadvantaged or underserved communities, and support equitable transportation planning and community engagement activities.

- **Grants to Reduce Air Pollution at Ports**, funded at \$3 billion, support the purchase and installation of zero-emission equipment and technology at ports.
- **\$1 billion for clean heavy-duty vehicles**, like school and transit buses and garbage trucks.
- Some of the previously mentioned programs that focus on disadvantaged and low-income communities are also important to environmental justice, like the **technology accelerator and consumer home energy rebate programs**. In addition, the many of the **clean energy tax credits** include either a bonus or set-aside structure to drive investments and economic development in disadvantaged communities.

5. Farmers, Forestland Owners and Resilient Rural Communities

This bill will make historic investments to ensure that rural communities are at the forefront of climate solutions. The investments affirm the central role of agricultural producers and forest landowners in our climate solutions by investing in climate-smart agriculture, forest restoration and land conservation. It also makes significant investments in clean energy development in rural communities.

- More than \$20 billion to support **climate-smart agriculture practices**.
- \$5 billion in grants to support healthy, fire resilient forests, forest conservation and urban tree planting.
- Tax credits and grants to support the domestic production of biofuels, and to **build the infrastructure needed for sustainable aviation fuel and other biofuels**.
- \$2.6 billion in **grants to conserve and restore coastal habitats** and protect communities that depend on those habitats.