



## The Big New Bill

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Just when you thought Congress couldn't get anything done, Congress passed an enormous piece of legislation that touches just about every aspect of American lives. The full extent of the Inflation Reduction Act of 2022 is too large to completely cover here, but the highlights are interesting.

The most visible elements of the bill are likely to be the 15% minimum tax on corporations with over \$1 billion in revenues (generating an estimated \$222.2 billion in additional tax revenues) and a 1% excise tax on companies that engage in buying back their own stock (another \$73.7 billion). For older Americans, the new law gives Medicare the green light to negotiate collectively on drug prices, plus a \$35 cap on Medicare Part D co-payments for insulin treatments. Those Americans who are not yet age 65 will see \$64.1 billion in subsidies to expand the Affordable Care Act and counteract rising health insurance premiums.

The bill also includes tax credits for wind, solar, geothermal and nuclear electricity facilities and clean energy rebates for residential buildings and electric cars—basically providing tax subsidies for installing heat pumps and solar panels and purchasing cars that don't run on gasoline. The U.S. Postal Service will get zero-emissions trucks, and companies will be able to qualify for tax incentives if they find ways to manufacture using fewer emissions and less electricity.

What's missing? Any additional taxes on American citizens. Also: the child tax credit and paid family leave provisions that were in the original bill passed by the U.S. House of Representatives. A provision for universal pre-school for 3- and 4-year-olds was cut from the bill, as were affordable housing and immigration reform provisions. You may have also heard about a proposed surtax on all income above \$10 million; that, too, was eliminated from the final bill.

In all, when all the revenue raising and spending estimates are tallied up, the Inflation Reduction Act is projected to reduce U.S. federal deficits by roughly \$275 billion over the next ten years. Whether it will live up to its name and reduce inflation remains to be seen.

**Sources:**

<https://www.nytimes.com/interactive/2022/08/13/upshot/whats-in-the-democrats-climate-health-bill.html>

<https://www.npr.org/2022/08/11/1116229743/inflation-reduction-act-questions-answered>

<https://taxfoundation.org/inflation-reduction-act/>

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