

The Inflation Reduction Act

By Gary Altman

Little pieces at a time! The Inflation Reduction Act is a skinny version of President's Biden Build Back Better Bill, which did not pass this Spring. It is a significant piece of legislation passed in August in relation to combating climate change and lowering prescription drug costs. It also allowed for the continuation of the Affordable Care Act premium subsidies due to expire at the end of the year. These subsidies will be extended until 2025. Besides drug price reforms, subsidy extensions, and energy security and climate change investments, the bill has some significant tax law changes and provisions.

The bill is expected to raise billions of dollars to raise revenue during the decade by instituting corporate tax hikes and increasing funding for the IRS. Corporations with \$1 billion in income will have a new corporate minimum tax on financial statement income of 15%. Before the law was passed the corporate tax rate was 21% however, most corporations used various tax loopholes to avoid paying the rate and pay below the 15% rate. These loopholes have been closed. Stock buybacks by corporations will encounter a 1% excise tax. There are no increases in households or taxes on individuals. In addition, the IRS will now receive \$80 billion in new funding over the next 10 years for increased enforcement activities, modernization, and the hiring and training of new tax auditors.

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