

## **Summary of the *Inflation Reduction Act* National Association of Women Business Owners**

On August 16, 2022, the President signed the *Inflation Reduction Act (IRA)* into law. The law is the result of a deal struck by Senate Majority Leader Chuck Schumer (D, NY) and Senator Joe Manchin (D, W.Va). It comes after months of negotiations between the two Senators and the White House, and after Senator Manchin stopped the *Build Back Better Act (BBB)* in December 2021. The \$770 billion IRA is a trimmed down version of the \$1.85 trillion BBB and sets out to accomplish many of the same goals, namely lowering the cost of prescription drugs and healthcare and incentivizing renewable energy. The bill also provides additional resources for the Internal Revenue Service (IRS) and addresses inflation.

Below is a summary of the key provisions within the *Inflation Reduction Act*:

### **The bill makes some changes to the current corporate tax code. It will:**

- Establish a 15% alternative minimum tax on book income on U.S. based corporations with at least \$1 billion in revenue over a three year average and foreign head-quartered groups with at least \$100 million in revenue over a three year average.
- Impose a 1% excise tax on the fair market value of stock repurchased by publicly traded companies

You can read more about corporate tax provisions [here](#).

### **The bill also includes a number of healthcare and provisions drug provisions:**

- Under the IRA, the federal government will have the authority to negotiate the price of certain prescription drugs under the Drug Price Negotiation Program through which the government must establish maximum prices for drugs
- Require pharmaceutical manufacturers to pay rebates to the federal government if they raise the cost of drugs faster than the rate of inflation, with 2021 being the baseline year for inflation.
- The law restructures Medicare parts B and D outpatient prescription drug plans to cap sharing at \$2,000 per year
- The IRA extends the health Affordable Care Act insurance subsidies to reduce monthly premium expenses through 2025. The subsidies were created through the American Rescue Plan in 2021 and were set to expire at the end of this year unless Congress voted to extend them.

You can read more about the Medicare and prescription drug provisions [here](#) and about the ACA subsidies [here](#).

### **Internal Revenue Service Funding:**

- The IRA includes nearly \$80 billion in funding for the IRS that is intended to help the agency boost enforcement, support hiring and update technology used by the IRS.

- Some observers worry that this new funding for the IRS will result in more small business and lower income household audits. However, Treasury Secretary Yellen has said, "[small businesses or households earning \\$400,000 per year or less will not see an increase in the chances that they are audited.](#)"

## Energy Provisions

- The IRA includes heavy investments in energy tax credits, grants and incentives to expand the use of domestic renewable energy sources and manufacturing. The breakdown is below:
  - **Consumer Energy Costs:**
    - \$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
  - **Energy Production:**
    - 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
  - **Energy Emissions:**
    - 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.
- **Community Investment & Environmental Justice Programs:**
    - 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 4 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.
  - **Farmers, Forestland Owners and 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

You can read more about energy provisions [here](#).