

Schumer, Manchin release legislative text of Inflation Reduction Act of 2022

Senate Majority Leader Charles Schumer, D-N.Y., and Sen. Joe Manchin, D-W.Va., on July 27 released legislative text for the Inflation Reduction Act of 2022, a budget reconciliation package that includes tax, climate change mitigation, and health care provisions.

URL: https://www.democrats.senate.gov/imo/media/doc/inflation_reduction_act_of_2022.pdf

Schumer and Manchin announced earlier in the day that they had reached an agreement on the package, which replaces the Build Back Better legislation that has been stalled in the Senate since last December. That announcement came nearly two weeks after Senate Democratic leaders appeared resigned to moving a considerably narrower reconciliation measure focused chiefly on health care and lacking a significant tax title. (For prior coverage, see *Tax News & Views*, Vol. 23, No. 23, July 15, 2022.)

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220715_1.html

Tax provisions at 30,000 feet

At a high level, the Inflation Reduction Act of 2022 includes revenue-raising provisions that would impose a 15 percent minimum tax on certain large corporations, modify the tax treatment of income from carried interests, and provide a special allocation of \$80 billion (over 10 years) to fund IRS compliance and enforcement efforts. A one-page summary from Schumer and Manchin notes that “[t]here are no new taxes on families making \$400,000 or less and no new taxes on small businesses.”

URL: https://www.democrats.senate.gov/imo/media/doc/inflation_reduction_act_one_page_summary.pdf

Some of the revenue from those provisions—and from nontax provisions to modify the Medicare prescription drug pricing rules—would offset the cost of several investment and production tax incentives for clean energy (from fossil fuels as well as alternative sources) and an extension (through 2025) of enhanced premium subsidies for certain individuals who purchase health insurance through one of the Affordable Care Act exchanges.

A portion of the revenue raised under the measure would be allocated to deficit reduction—something that has been a key priority for Sen. Manchin.

Next steps

Majority Leader Schumer has stated that he intends to submit the legislation to the Senate parliamentarian the evening of July 27. (The parliamentarian will review the measure to determine whether its provisions comply with the so-called “Byrd Rules” for moving reconciliation bills through that chamber.) Schumer also indicated that he expects to bring the legislation to the Senate floor the week of August 1. As of press time, it is unclear whether the measure will have unanimous support among Senate Democrats—something that’s essential to its success if Republicans stand by their pledge to oppose a reconciliation bill of any sort.

Also unclear is how the measure will be received in the House, especially among a small but vocal group of Democrats who have insisted they cannot support a package that does not adjust the current \$10,000 cap on the federal deduction for state and local taxes. (It's worth remembering that Democrats currently hold 220 seats in the House compared to 211 for Republicans, while 4 seats remain vacant. Thus, Speaker Nancy Pelosi, D-Calif., can afford to lose no more than four of her members if she hopes to get a measure through her chamber along strict party lines.)

More details to come

We will have more details on the contents of the bill and its prospects for moving through Congress in our upcoming week-in-review edition of *Tax News & Views*, which will be published on July 29.

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