

CBO updates estimated budget impact of Inflation Reduction Act

The Inflation Reduction Act (P.L. 117-169), the massive tax-and-spending plan that Congress approved and President Biden signed into law last month, will shrink the federal budget deficit by \$58 billion (net) between 2022 and 2031, according to an updated estimate released by the Congressional Budget Office (CBO) on September 7; however, that figure does not reflect the impact of new revenue from increased tax collections that the agency assumes will be generated by a provision in the legislation that boosts funding for IRS enforcement activities.

URL: <https://www.cbo.gov/publication/58455>

What the estimate includes—and what it doesn't

The deficit reduction score as reported assumes an estimated net increase in revenues of \$108.7 billion and an estimated net increase in direct spending of \$50.6 billion over the 10-year budget window, CBO said.

The Inflation Reduction Act, which moved through Congress under fast-track budget reconciliation rules, includes among its key tax provisions a new alternative minimum tax on certain large corporations, an excise tax on stock buybacks, an extension of the excess business loss rules, a significant increase in funding for the Internal Revenue Service, incentives to promote clean energy and energy efficiency, and provisions to promote health care affordability. (For details on all the tax provisions in the new law, see *Tax News & Views*, Vol. 23, No. 28, Aug. 7, 2022.)

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220807_1.html

The CBO's estimate reflects the provisions in the measure as enacted into law—including some last-minute tweaks that were made on the Senate floor shortly before that chamber voted on final passage. Importantly, however, the estimate does not include roughly \$180 billion in new tax revenue that the CBO anticipates will be collected on account of the law's infusion of about \$80 billion (over 10 years) for the Internal Revenue Service, much of which is set to be allocated for enhanced enforcement activities to narrow the "tax gap"—the difference between the amount of tax owed to the federal government and the amount actually paid and collected on a timely basis.

The CBO explains that under longstanding congressional budget scorekeeping rules, savings from so-called "program integrity" measures are not included in official budget estimates. The agency notes, however, that the estimated revenue from increased tax collections will be reflected in its future baseline budget projections.

Deloitte Tax resources available

A new publication from Deloitte Tax LLP provides an overview of tax and nontax provisions in the Inflation Reduction Act and their potential impact on the federal budget.

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220909_2_supplA.pdf

Detailed discussions of the following issues related to the new law are also available from Deloitte Tax:

- Book-minimum tax;
[URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/dttl-tax-alert-us-10-august-2022.pdf](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/dttl-tax-alert-us-10-august-2022.pdf)
- Stock buyback excise tax;
[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220812_1_supplA.pdf](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220812_1_supplA.pdf)
- Clean-energy tax provisions;
[URL: https://www2.deloitte.com/us/en/pages/tax/articles/inflation-reduction-act-2022-clean-energy-incentives.html](https://www2.deloitte.com/us/en/pages/tax/articles/inflation-reduction-act-2022-clean-energy-incentives.html)
- Financial reporting considerations; and
[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220816_1_supplA.pdf](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220816_1_supplA.pdf)
- State tax implications.
[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220909_2_supplB.pdf](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220909_2_supplB.pdf)

We will provide links to additional resources as they become available.

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