



TTAA Legislative Update

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Build Back Better?

After more than a year of "Build Back Better" talks, Senate Majority Leader Chuck Schumer and Sen. Joe Manchin Wednesday announced an agreement on a highly scaled-back reconciliation package, now named the Inflation Reduction Act of 2022.

With \$433 billion in spending, the package spends less than one-sixth of the approximately \$3 trillion behemoth bill Democrats were discussing this time last year. It includes vastly fewer provisions but, according to Democrats, it will raise \$739 billion in tax revenue.

"The Inflation Reduction Act of 2022 will make a historic down payment on deficit reduction to fight inflation, invest in domestic energy production and manufacturing, and reduce carbon emissions by roughly 40% by 2030," Schumer, and Manchin, said in a joint statement Wednesday, using the bill's new official name. "The bill will finally allow Medicare to negotiate for prescription drugs and lower health care costs for millions of Americans," they added.

Democrats previously agreed to provisions of the bill that would extend parts of the Affordable Care Act (ACA) also known as ObamaCare, and aim to lower prices of prescription drugs. According to a summary of the bill published Wednesday, the agreement would extend the ACA through 2025 and allow Medicare to negotiate the prices of prescription drugs. The ACA extension would cost \$64 billion, Democrats say, and the prescription drug reform would save the government \$288 billion.

Where Democrats were previously stuck – until Wednesday – was on tax, energy and climate provisions. Manchin, from an energy producing state, is often at loggerheads with his own party over climate policy. Further, with his vocal concerns about inflation and the economy, the moderate senator said repeatedly Congress needs to be careful that any economic policies it implements will do no harm.

But according to the bill summary, the Manchin-Schumer package would spend a combined **\$369 billion on energy and climate efforts**. And it includes a 15% corporate minimum tax

for businesses worth more than \$1 billion, which is estimated to raise \$313 billion; stepped-up IRS tax enforcement, estimated to raise \$124 billion; and it will close the carried interest loophole, estimated to raise \$14 billion.

In addition to increased taxes, many groups are likely to criticize many of the clean energy and environmental provisions of the bill. Among them is nearly **\$1.9 billion for a "Neighborhood access and equity grant program."** That money would be available to, among other things, help fix areas with **"gaps in tree canopy coverage"** in underserved communities.

Another provision of the bill will provide **\$1.5 billion "for tree planted and related activities,** with a priority for projects that benefit underserved populations and areas."

Yet another part of the bill provides **\$403 million for IRS expenses, "including purchase and hire of passenger motor vehicles"**.

It would further provide up to a \$7,500 tax credit to families making up to \$300,000 per year for electric vehicles assembled without critical minerals from hostile countries, and not assembled in hostile countries.

The tax credit applies for new vans, SUVs and pickups up to \$80,000. For other cars the limit is \$55,000.

Families making up to \$150,000 can also get a \$4,000 tax credit for used electric vehicles.



Chuck Space - TTAA Executive Director
4600 Spicewood Springs Road
Suite 103
Austin, TX 78759
(512) 343-9023