SUMMARY: CLOSING TAX LOOPHOLES IN THE INFLATION REDUCTION ACT OF 2022

Updated: August 10th, 2022

The Inflation Reduction Act raises approximately $472 billion to pay for deficit reduction, clean energy, and climate investments. The bill’s four main tax components close tax loopholes used by the wealthiest Americans and big corporations.

Democrats have been clear – the Inflation Reduction Act will not raise taxes on any family making $400,000 or less. In fact, the non-partisan Joint Committee on Taxation just reported that taxes on those families would actually be reduced under the IRA. Every year, hardworking American families pay their taxes on time while wealthy millionaires and billionaires avoid paying the taxes they owe to the federal government.

1. **The Inflation Reduction Act imposes a corporate alternative minimum tax on corporations that earn more than $1 billion in annual profit, but do not pay at least a 15-percent tax rate.**
   - Up to 125 corporations that average nearly $9 billion in profit paid effective tax rates of just 1.1 percent, and the minimum tax will make sure they pay their fair share. This provision will raise $222 billion.

2. **Providing the IRS resources to rebuild its antiquated systems to make the wealthy pay taxes is very popular with the American people.**
   - According to recent polling, nearly three-quarters of Americans believe the IRS should conduct more tax audits of large corporations and millionaires. By investing $80 billion over the next ten years for tax enforcement and compliance, the Congressional Budget Office estimates the IRS will collect $203 billion.
   - In a letter from IRS Commissioner Rettig, the Administration recently reinforced that no family making under $400,000 per year will see increased audits.

3. **The 1 percent fee on stock buybacks by publicly-traded corporations would level the playing field for workers.**
   - The new provision would reform the tax code so it stops favoring buybacks for rich shareholders and executives over investments in workers and innovation. This raises $74 billion.

4. **Finally, the bill would help prevent the wealthiest Americans from sheltering their nonbusiness income and avoiding taxes.**
   - By extending the limitation on excess business losses for two years, the bill would raise an additional $52 billion.