

# AN OVERVIEW OF THE INFLATION REDUCTION ACT

On August 16, 2022 President Biden signed the Inflation Reduction Act into law which includes the extension and expansion of green energy incentives, lowering of health care costs, corporate tax increases and more.

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## EXTENSION AND EXPANSION OF GREEN ENERGY INCENTIVES

Of the most interest is the plug-in electric vehicle credit, called the Clean Vehicle Credit, being extended through 2032 and lifting the 200,000 vehicle cap per manufacturer. There is a new \$4K credit for used vehicles on top of the existing \$7,500 credit for new vehicles. There are income restrictions that may make the taxpayer not eligible for the credit.

The \$500 nonbusiness Energy Property Credit has been moved into a \$1,200 annual credit. Rebates up to \$14K are available for the installation of certain energy efficient home installations.

There is a 30% residential credit extended to 2032 for solar and small wind installations.

Small businesses may be eligible for a tax deduction up to \$1 per square foot for energy efficient expenditures and a 30% credit for conversion to clean vehicles.

## HEALTHCARE

Medicare has the ability to negotiate drug prices, starting with the highest cost, most widely used drugs. There is also an annual cap on out of pocket costs of \$2,000.

Extension of Affordable Care Act premium reductions.

## TAX INCREASES

Corporate AMT of 15% on book income – applies to corporations with book income over \$1B (roughly only 200 companies).

Excise tax on stock repurchases – 1% excise tax on stock buybacks that will apply to repurchased of stock after December 31, 2022.

The Tax Cuts & Jobs Act's limitation on excess business losses on noncorporate taxpayers is extended through 2027 (for two more years).

## **IRS FUNDING**

\$80B allocated to the IRS (\$45.6B for enforcement and \$25.3 B for operations support (hiring more people) and \$4.7B for computer and business system upgrades) \$3.2B is slated to go toward taxpayer services. There will be a study conducted regarding the IRS doing to a direct trial for filers who do not use a third party tax preparer.

## **R&D CREDIT**

The R&D credit for small businesses is expanded by an additional \$250K toward Medicare tax, doubling the existing limit.

## **DEFICIT REDUCTION**

\$300B for deficit reduction, not too much detail on how this will be used yet.

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