AMERICANS FOR TaxFairness

INFLATION REDUCTION ACT: KEY FACTS

PRESCRIPTION DRUGS & HEALTH CARE

The IRA will lower prescription-drug costs for seniors and healthcare premiums for working families.

- Medicare will finally be allowed to negotiate with drug corporations to bring down the price of prescriptions. If drug corporations hike prices faster than inflation, they'll pay the full difference to Medicare – a cap that goes into effect in just a few months. Medicare recipients will have their out-of-pocket drug costs capped at $2,000 a year. These measures will save seniors and taxpayers hundreds of billions of dollars.
- Insulin costs for Medicare beneficiaries will be capped at $35 per month to make it easier for diabetic patients to afford the treatment they need to stay healthy.
- Expanded Affordable Care Act (ACA) subsidies that were scheduled to expire this year will instead be extended through 2025, making healthcare coverage affordable for 13 million people. It will save them an average of $800 a year in premiums.

CLEAN ENERGY & CLIMATE CHANGE

The IRA will make the biggest investments ever in clean energy to reduce peoples' home energy bills and the risks of climate damage.

- Investments in renewable energy such as wind and solar and making electric vehicles more affordable will cut families' household energy costs by an average of $1,000 a year and create more than 900,000 jobs a year for the next decade.
- The bill will tackle the climate crisis by reducing carbon emissions that are warming the planet to 40% below the 2005 level by the end of the decade. That is nearly the Biden Administration's goal of a 50% reduction.
- The plan will clean up old pollution in traditionally underserved areas, like Black and Latino urban neighborhoods and rural areas.

TAXES & TAX ENFORCEMENT

The IRA will make billion-dollar corporations that pay little or nothing in taxes to start paying a fairer share.

- It will impose a 15% minimum tax on America's biggest corporations, some of which now go years paying little or nothing despite making billions in profits. Big names like Amazon, FedEx, Netflix and Nike are paying much less in taxes some years than small businesses and working people pay.
- Year after year these corporations report record profits to shareholders but pay a lower tax rate than nurses, firefighters and teachers. The average federal income tax rate for all taxpayers was 13.3% in 2019, the latest data.

- Anyone making less than $400,000 will not pay one penny in additional taxes under this bill. Despite phony Republican claims that the middle-class will pay more in taxes, this tax only applies to about 150 huge corporations that each make more than $1 billion in profits a year.
- This 15% minimum tax would ensure that prescription drug and high tech corporations, and apparel companies, which avoid taxes by manufacturing their drugs, phones and shoes abroad and by stashing their profits in tax havens, will finally start paying closer to their fair share.
- Republicans have been making the same false trickle-down tax cut claims for decades. Remember, they promised workers that employers would give them big wage increases after the Trump-GOP tax cuts were passed. Corporations got their huge tax cut and their after-tax profits soared, but workers didn't get their share. Now Republicans are saying this legislation will raise taxes on the middle-class. This legislation will not do that.

The IRA will modernize the IRS so it serves taxpayers better and so it can better catch rich and corporate tax cheats who evade paying what they owe in taxes.

- Because of Republican budget cuts over the last decade, the IRS lacks the resources to catch many rich tax cheats: funding and staffing are each down by at least 20% over the past decade. As a result, audits of corporations are down by over half and of millionaires by almost three-quarters.
- While most taxpayers pay what they owe, many of the rich and corporations do not. The richest 1% avoid paying $160 billion a year in taxes they owe.
- This legislation will provide $80 billion that will allow the IRS to hire the tax professionals needed to crack down on wealthy and corporate tax cheats and to service taxpayers wanting to get their tax refund on time or their phone calls answered. As a result, the IRS will raise $200 billion to $400 billion over 10 years by collecting unpaid taxes from big corporations and people making more than $400,000 a year.

The IRA will levy a 1% tax on corporate stock buybacks, which will discourage corporations from enriching top executives and wealthy shareholders at the workers' expense.

- Buybacks help wealthy CEOs and investors dodge taxes. The rise in stock price created by a buyback is not taxed unless the stock is sold. However, if a corporation rewards its shareholders with cash payments called dividends, those are taxed in the year they are received. With the stock buybacks tax, corporations are expected to pay out more in dividends, which are taxed at a 20% rate for wealthier investors.
- A stock buybacks tax will increase U.S. tax receipts from foreign investors, who do not pay U.S. capital gains tax when they sell stock but are taxed on dividends they receive. If the corporation paid $10 million in dividends, the foreign investors generally would pay a 30% tax on the payout (or 15%, under some treaties).
- Stock buybacks are associated with wage stagnation and layoffs, investment slowdowns, and reduced innovation. A 1% tax on stock buybacks will discourage the practice and instead encourage more socially useful ways to spend corporate cash.
- Stock buybacks are out of control and should be curbed: Corporations have been on a buyback frenzy in recent years, intensifying since the 2017 Trump-GOP tax cuts. Rather than investing in their workers and communities, big corporations used the windfall from the Republican tax cuts to buy back record-breaking amounts of their own shares.
- Stock buybacks set an all-time high in 2018, the first year the tax law was in effect. Another buyback record was set in 2021.