



On August 16, 2022, President Joe Biden signed into law the Inflation Reduction Act of 2022, formerly known as the Build Back Better bill.

The legislation includes tax increases that are projected to fall on large corporations and taxpayers earning at least \$200,000 per year, according to the Joint Committee on Taxation, which determines the revenue impact of tax legislation for Capitol Hill.

Provisions of the Bill

The following provisions are included in the legislation (not inclusive):

Corporate Minimum Tax

Corporations with a three-year average adjusted financial statement income in excess of \$1 billion would be subject to a 15% minimum tax, effective for taxable years beginning after 2022. Adjusted financial statement income would be determined using tax instead of book depreciation. Broad discretion would be given to the Treasury in implementing the corporate minimum tax.

Excise Tax on Stock Buybacks

One percent excise tax on corporate stock buybacks by publicly traded companies. The levy applies to net buybacks; therefore, it only applies if there is an excess of redemptions over new issues for the year.

Limitation on the Excess Business Losses of Non-corporate Taxpayers

Extended for two years, to apply to tax years ending before January 1, 2029.

Increased IRS Funding

The agency will receive \$80 billion over the next ten years. Of that amount, \$45.6 billion will go to tax enforcement. Administration officials have stated that the extra funding is not supposed to increase audit rates on taxpayers and small businesses earning less than \$400,000 per year.

Black Lung Fund

Permanent extension of tax rate to fund the Black Lung Disability Trust Fund.

Superfund

Reinstate the Superfund tax for oil and petroleum products (16.4 cents-per-barrel).

Rx

Allow Medicare to negotiate the price of prescription drugs.

Cost Coverage

The amount of revenue raised or saved by these provisions is projected to cover the cost of enacting several energy-related provisions, extending to 2025 the Affordable



Care Act's enhanced premium tax credit (which is currently scheduled to expire at the end of 2022), and reducing the federal government's deficit.

Fate of Build Back Better

The Build Back Better bill that the House approved on November 19, 2021, is not going to pass the Senate and it will not become law.

Possible Tax Bill Before the Election

Before elections in November, some lawmakers in the House may propose legislation that increases tax rates on wealthier taxpayers and corporations. These potential increases could be on capital gains, income tax rates, corporate tax rates, and other tax provisions. This should be viewed as a political statement. At this time, enactment is thought to be unlikely.

Additionally, Congress is expected to consider legislation extending expired and expiring provisions that were not addressed in the Inflation Reduction Act (such as the ability to deduct research expenses) after the election. Any necessary technical corrections to recently enacted legislation could also be considered at that time.

We will continue to keep you informed.

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