The Inflation Reduction Act: What's In and What's Out

August 15, 2022

As expected, on Friday, August 12, 2022, the House of Representatives passed the Inflation Reduction Act of 2022 (the "Bill"), which was passed by the Senate earlier in the week. President Biden has indicated that he will sign the Bill into law shortly.

The tax highlights of the Bill include:

- **Corporate Alternative Minimum Tax ("AMT").** A 15% alternative minimum tax on adjusted financial statement income of corporations (excluding S corporations, regulated investment companies and real estate investment trusts) with profits over $1 billion. The AMT will only apply if it exceeds a taxpayer's regular tax for the year and is expected to be levied on less than 150 companies per year.
- **Stock Repurchases.** A 1% stock buyback excise tax based on the stock's repurchased fair market value. The goal is to spur corporations to issue dividends instead of repurchasing outstanding shares as a way of increasing their stock price.
- **Internal Revenue Service ("IRS") Funding.** Increased funding for the IRS to improve customer service and expand audit initiatives and compliance enforcement.
- **Other Items:**

- Two-year extension of the cap on excess trade or business losses of pass-through entities.
- Increasing the Research Credit against payroll taxes for qualified small businesses from $250,000 to $500,000.
- A host of new climate and energy programs and extensions of existing incentives geared toward expanding renewable energy tax credits and permitting companies to sell or transfer certain credits.

The current tax provisions that were not addressed by the Bill and which will remain in place include:

- The reduced 21% corporate income tax rate enacted under the Tax Cuts and Jobs Act of 2017;
- Personal tax rates will not change regardless of income level or personal net worth;
- The current rules on the taxation of carried interest are unchanged; and
- No increase to the $10,000 cap on state and local tax deductions.

For more information on how the Inflation Reduction Act impacts you and your business, please contact your Anchin Relationship Partner.