



Inflation Reduction Act Summary

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On August 16th, President Biden signed into law the Inflation Reduction Act of 2022.

This new law focuses on three major legislative priorities:

- **Health care:** Includes new Medicare rules aimed at reducing the price of prescription drugs and out of pocket expenses for Medicare recipients and further extends assistance to some purchasing insurance through Affordable Care Act exchanges.
- **Clean Energy and Conservation:** Includes numerous tax credits and new spending aimed at environmental initiatives and investments for both consumers and businesses. Also includes additional funding for conservation projects on U.S. farms.
- **Taxes:** Raises an estimated \$324 billion in new net federal revenues through targeted tax provisions, increased IRS enforcement, and other cost savings to the federal government.

The Inflation Reduction Act tax provisions and what they mean to you:

- **Corporate Alternative Minimum Tax:** Imposes a minimum 15% tax on the income of very large U.S. corporations (at least \$1 billion revenue). Previously, these companies might have used deductions and credits to avoid paying taxes in profitable years.
- **Excise Tax on Repurchase of Corporate Stock:** Enacts a 1% excise tax on public corporations that engage in stock buybacks.

Some may ask whether this would benefit dividend-focused investment strategies; we do not believe that to be the case and do not advocate allocating to dividend-oriented investment strategies due to this provision.

- **Limitation on Excess Business Losses:** Further extends the existing limitation (enacted under the 2017 Tax Cuts and Jobs Act) on deducting pass-through business losses against non-business income.
- **Research and Development Credit:** Allows potentially greater deductibility of Research and Development tax credits to businesses that utilize this credit.
- **Energy Credits:** Creates a long list of clean-energy-focused tax incentives for businesses and consumers.

For **consumers**, subject to income limitations and other requirements, the Act includes tax credits for the purchase of new and used electric vehicles, energy-efficient home improvements, and residential clean energy investments like solar panels and wind energy.

For **businesses**, tax credits and incentives exist for investments in clean commercial vehicles, commercial building energy efficiency, and domestic manufacturing of clean energy and technology.

We do not expect this provision to have a meaningful investment impact (positive or negative) on traditional or alternative energy company stocks and do not advocate portfolio changes as a result.

- **IRS Funding:** Provides an additional \$80 billion for the IRS over the next decade, with \$45 billion specifically earmarked for enforcement (increasing IRS audits). While it is unknown exactly how the IRS will utilize this additional funding, it appears clear from public comments by the Biden administration that increasing audits on taxpayers earning more than \$400,000 per year is the focus of this increased enforcement appropriation.

Talk to your Choreo advisor with any questions on how the Inflation Reduction Act affects your financial plan.

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