COALITION ON HUMAN NEEDS

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The Inflation Reduction Act of 2022 with Some Important Human Needs Provisions Clears the Senate

On Sunday, August 7, the Senate passed slimmed-down legislation containing some important wins for human needs programs and those they serve. The measure split 50-50 along party lines, with Vice President Harris breaking the tie to pass it. While the $700-plus billion package did not contain many provisions advocates hoped and did not go nearly as far in addressing need as the House-passed Build Back Better Act, it still addresses urgent problems. As CHN Executive Director Deborah Weinstein noted in a statement released after the package passed, “The Inflation Reduction Act of 2022 will keep health care costs down for millions of Americans, and will make historic progress in protecting us from the ravages of climate change. It will have immediate benefits, and it invests in our future.”

The Inflation Reduction Act of 2022 will invest roughly $369 billion in energy and climate change programs over the next 10 years, representing the largest congressional climate action in history; extend the expanded Affordable Care subsidies for three years, preventing painful increases in premiums for millions and stopping 3 million Americans from becoming uninsured; lower the cost of prescription drug prices for Medicare recipients, saving seniors much-needed money; and reduce deficits by roughly $300 billion over the next decade.

Changes to the tax section of the package came late last week at the insistence of Sen. Kyrsten Sinema (D-AZ), whose vote the Democrats needed in order to ensure passage. Sen. Joe Manchin (D-WV) had earlier agreed to the package after he and Majority Leader Chuck Schumer (D-NY) reached a deal on the measure in late July. Additional changes came over the weekend as senators voted on amendments before voting on the final bill itself.

The package contains three main sections with major implications for meeting human needs: health, environmental justice, and taxes and revenues. Details on how provisions in each of these three sections will affect people with low incomes, as well as additional information, are below.

Health:

- The bill extends the Affordable Care Act premium tax credits enacted in the American Rescue Plan, which were set to expire at the end of the year, for an additional three years. This will prevent 3.1 million people from losing coverage and becoming uninsured in 2023, while reducing the cost of coverage for millions more, including those in low- and moderate-income households. The average marketplace enrollee will save about $700 a year on premiums due to this provision. Many will save a lot more: a 45-year old earning $30,000 will save $1,320; a 60-year-old couple with a $75,000 income will save nearly $16,000; and a family of four with a $45,000 income will save $1,928.
- The measure will allow the Health and Human Services Secretary to negotiate prices for a limited number of high-cost prescription drugs within the Medicare program. The negotiations will begin in 2023, with the negotiated prices taking effect later. There will also be a $2,000 out-of-pocket cap on prescription drug costs for patients with Medicare prescription drug coverage, starting in 2025. Premium and co-pay assistance on prescription drugs for patients under Medicare Part D will be expanded to seniors with incomes up to 150 percent of the poverty line.
- The bill will cap monthly Medicare insurance copays for insulin to $35 per month, beginning in 2023. The original bill also extended this cap to people with private insurance. However, Republicans raised a “point of order” objection, arguing that the provision did not meet the requirements to advance via the reconciliation process. An attempt from Sen. Patty Murray (D-WA) to allow the provision to remain in the bill failed 57-43 (60 votes were needed).
- The original bill included provisions meant to discourage drug price hikes for people with private insurance, but these provisions were cut by the Senate parliamentarian.

Environment justice:

- The provisions in the measure represent the largest congressional climate action in history and are estimated to reduce carbon emissions by 40 percent by 2030.
- The legislation contains $60 billion in grants, tax credits, and other subsidies to meet the Biden Administration’s environmental justice goals by helping lower-income families transition to a

clean energy economy and adapt to rising temperatures by increasing the energy efficiency of their homes, cars, and communities. The bill would also specifically address air pollution, greenhouse gas emissions, and other legacy pollution issues that have disproportionally impacted low-income communities, tribes, and territories including Puerto Rico. Clean energy tax credits will eventually enable the average American family to save $500 a year in household energy costs.

- The measure includes $8.8 billion to states and tribes to help families transition to energy efficient electric homes, including funds to help lower-income families purchase and install energy efficient appliances.
- The package also makes available $1 billion in grants and loans for HUD-administered affordable housing retrofits to increase energy and water efficiency.
- The package includes a $27 billion Clean Energy Fund to accelerate the development of low-carbon energies, with a substantial amount of this money required to be spent in disadvantaged communities; $3 billion in Environmental and Climate Justice Block Grants to reduce pollution and climate threats in low-income communities and communities of color; $3 billion in grants to reduce air pollution at ports; and $50 million to monitor and reduce air pollution and greenhouse gases at schools in low-income and disadvantaged communities.
- The bill will permanently restore an excise tax on coal to fund the Black Lung Disability Fund for coal miners with serious disease from their work in the mines. Previously, the tax was extended year, requiring congressional action. The incidence of disease has been increasing in recent years; over 75,000 coal miners have died from black lung disease since 1970.
- At the request of several Western state senators, $4 billion was included to address drought resiliency in Western states.
- Advocates reiterated that the right implementation will be key to ensuring some of the money allocated to helping low-income communities actually does so, and they will be working to ensure that implementation happens.
- For more information on key provisions designed to help low-income families transition to a clean energy economy, see these pieces from the Natural Resources Defense Council, the National Energy Assistance Directors' Association, EarthJustice, and the Congressional Progressive Caucus.

Taxes and the economy:

- Throughout the negotiations on the package, Sen. Manchin has insisted that much of the revenue increases in the package go to deficit reduction, rather than investments in services. The Congressional Budget Office issued its revised cost estimate of the bill on Aug. 5 before final tweaks to the tax provisions were made; at the time they said the measure would reduce deficits by more than $294 billion over a decade after including revenue from an enhanced IRS tax enforcement effort that technically isn't counted in formal cost estimates. Without that revenue, the bill would reduce deficits by more than $90 billion.
- The bill requires corporations with more than $1 billion in average, annual profits to pay at least 15 percent in taxes on their profits. Sen. Sinema also insisted on a tweak in negotiations,

exempting accelerated depreciation from the 15 percent corporate minimum tax. An amendment from Sen. John Thune (R-SD) exempting private equity-owned corporations from the tax also passed (57-43). Sen. Thune's amendment would have been paid for by extending limitations on state and local tax deductions, which several House and Senate Democrats opposed, so Sen. Warner (D-VA) offered an amendment to replace the pay-for with a two-year extension of limits on the amount of losses that businesses may deduct, said to be worth at least $50 billion.

- The original deal agreed to by Sen. Manchin and Majority Leader Schumer contained a provision to narrow the so-called "carried interest loophole", which allows wealthy hedge fund and private equity managers to pay a lower rate on some of their income. The provision would have generated roughly $14 billion. However, at the insistence of Sen. Sinema, the provision was stripped from the package.
- A new 1 percent tax on the money that companies spend to purchase back their own stock was added to the package last week. Advocates have said that such corporate stock buybacks benefit large companies' stock prices at the expense of workers and the economy. This provision will take effect in 2023 and is expected to raise roughly $73 billion.
- The package includes $80 billion over 10 years for the IRS to rebuild staff and systems. The funds include $45 billion for enforcement of tax laws, and about $30 billion for operations and IT support. This is a needed investment after more than a decade of cuts that has led to the audit rate of millionaires plummeting 71 percent since 2010 and nearly $600 billion of legally-owed taxes that go unpaid each year, disproportionately from the richest 1 percent. The IRS says its staff declined by 33,000 over the past decade. The Congressional Budget Office estimates the investment would produce roughly $200 billion in revenue over 10 years from stronger enforcement, for a net savings estimated at $124 billion, while many analysts estimate that the net savings will be substantially higher.
- The package specifically includes $3 billion for taxpayer services; $15 million in the package is slated for the IRS to prepare and deliver a report to Congress on the cost of developing and running a free direct e-file tax return system, which would benefit adults and families with low incomes.
- For more information on key tax provisions, see these pieces from the Center on Budget and Policy Priorities and Americans for Tax Fairness.

Other areas of note:

- Hundreds of amendments were offered – mostly by Republicans – with a few dozen receiving votes. Notably, Sen. Tom Tillis (R-NC) and other Republican senators offered a number of anti-immigrant amendments; immigration advocates worked hard to make sure none passed.

What was left out:

Advocates were extremely disappointed that many critical provisions from the House-passed Build Back Better bill were not included in the Inflation Reduction Act, including extending the Child Tax Credit

(CTC) and Earned Income Tax Credit (EITC) expansions included in the American Rescue Plan, funding for child care, maternal health, home and community based services for the aging and people with disabilities, paid leave, affordable housing, nutrition aid, and many other human needs programs.

Advocates were also deeply disappointed the Inflation Reduction Act failed to close the Medicaid coverage gap; doing so would have provided Medicaid coverage to more than 2 million poor adults living in states that have refused to expand their Medicaid programs. Most people in the Medicaid coverage gap live in southern states, and 3 in 5 are people of color. Sen. Raphael Warnock (D-GA) offered an amendment to close the Medicaid coverage gap that failed 5-94, as Democrats mostly remained united in their agreement not to support amendments that would change the base bill.

Sen. Bernie Sanders offered several amendments that all failed, including one to extend the Child Tax Credit and raise the corporate tax rate (failed 1-97) and one to cover dental, hearing, and vision under Medicare (failed 3-97). Advocates succeeded in keeping a research and development business tax break out of the package, insisting that no such R&D tax reduction should move without the extension of the CTC/EITC improvements. Successfully keeping it out of this bill means that advocates have the opportunity to press for a negotiation that includes low-income tax credit expansion in any end-of-year tax package.

Process and next steps:

The reconciliation process, under which Democrats passed the Inflation Reduction Act in the Senate, allows legislation to proceed without the possibility of filibuster (which stymies legislation by threatening unlimited debate). Ending a filibuster takes 60 votes; with no filibuster, reconciliation bills can pass with only a simple majority (51 votes in the Senate). Under reconciliation rules, after a maximum 20 hours of debate, there is no limit on the number of amendments that can be offered on the floor for as long as senators have the energy and will to proceed. This “vote-a-rama” series proceeded for the Inflation Reduction Act with only one minute each for proponents and opponents of every amendment. Senators worked all Saturday night and through late afternoon Sunday to take up 39 roll call votes on the bill. Only two amendments were agreed to, concerning previously mentioned tax provisions. The Senate Parliamentarian (the rules-keeper of the Senate) can rule on whether parts of legislation would violate the chamber’s so-called Byrd rule. Named after former Senator Robert Byrd (D-WV), the rule states that legislation moved under the reconciliation process can only include changes to laws that directly affect the federal budget and can be scored by the Congressional Budget Office. The Parliamentarian had ruled prior to action on the floor that negotiations over prescription drug pricing could not be required in the private market; it was allowable under the rules for Medicare, with its direct government expenditures.

House Speaker Nancy Pelosi is expected to call representatives back from recess to take up the legislation on Friday, Aug. 12. With only a slim majority and no Republicans expected to support the measure, House Democrats will need to be united for the bill to pass. However, reports are that the bill is expected to pass the House and be signed by President Biden soon.

With so much left out of the reconciliation package, advocates are looking at other vehicles that may be available to move the improvements. Two possibilities are a year-end package that could combine all 12 appropriations bills and a package of tax cuts, some of which will expire at the end of the year. Such legislation will need 60 votes to pass the Senate. Stay tuned to future *Human Needs Reports* for more on this as the appropriations process continues.

For more information:

For more information, including reports, analyses, and statements from CHN members and partners, see **CHN's 2022 Reconciliation Resource Library.**

We appreciate your input. Give us your thoughts on our *Human Needs Report* at limbery@chn.org.
