

A WIN FOR THE PEOPLE AND OUR PLANET: HOW THE INFLATION REDUCTION ACT LOWERS COSTS AND ACTS ON CLIMATE

August 11, 2022

With Democrats at the helm, the 117th Congress has been a historically productive legislative session for the American people. The successful enactment of landmark legislation including the American Rescue Plan, the Infrastructure Investment and Jobs Act, the CHIPS and Science Bill — and soon, the Inflation Reduction Act — exemplifies Congressional Democrats' commitment to lowering costs for American families, creating jobs, expanding opportunity, and putting people over politics.

The Inflation Reduction Act is an enormously consequential bill that will lower the cost of living for America's families. The legislation reduces the price of prescription drugs, health care, and energy for Americans — all while fighting inflation and reducing the deficit. It makes the largest investment in U.S. history to combat the climate crisis, and will increase American energy security, create good-paying jobs, and position the United States to be a world leader in clean energy.

The legislation will make our tax system more fair by ensuring big corporations and the wealthy start paying their fair share and stop getting away with cheating the system. And it does not raise taxes on middle-income families or small businesses. The Inflation Reduction Act is fiscally responsible and fully paid for. It will increase financial security for American families, take on some of today's most pressing challenges, and expand opportunities for Americans to succeed.

LOWERS COSTS FOR FAMILIES

For decades, the skyrocketing costs of basic necessities like health care, housing, and energy have left too many families struggling to make ends meet. Now, persistent supply chain issues and Russia's war in Ukraine have inflated household costs further, exacerbating underlying disparities and undermining working families' economic security. With the Inflation Reduction Act, Congress will finally deliver investments to reduce some of American households' biggest expenses — health care, prescription drugs, and energy — while also easing inflationary pressures. The legislation:

Expands affordable health care coverage to millions of Americans by extending the enhanced ACA premium tax credits enacted under the American Rescue Plan Act for three years through 2025. This expanded tax credit alone increased health care coverage by 21 percent in 2022 and helped families save an average of \$800 a year per person in premiums last year. Without this extension, 3.1 million people could have lost their health care coverage next year.

Reduces drug costs by allowing Medicare to negotiate the best deal possible on high-priced drugs. Under this provision, negotiated prices will apply to expensive drugs with no generic competition, significantly reducing federal government spending and helping Americans save more on their necessary health care.

Institutes a new “inflation rebate” under Medicare to require drug companies to rebate back the difference to Medicare if they raise prices higher than the rate of inflation. From 2019 to 2020, half of all drugs covered by Medicare had price increases above the rate of inflation, and among those drugs with price increases above the rate of inflation, one-third had price increases of 7.5% or more.

Caps the price of insulin at \$35 per month for Medicare beneficiaries, lowering out-of-pocket costs for insulin users in Medicare Part D without low-income subsidies. In 2017, 3.1 million Medicare Part D enrollees used insulin and among insulin users without low-income subsidies, average annual out-of-pocket costs would have been 28 percent lower with this cap.

Caps out-of-pocket drugs cost for Medicare beneficiaries at \$2,000 per year so that Americans never have to pay tens of thousands of dollars and risk bankruptcy as they battle devastating diagnoses like cancer.

Lowers energy costs for families for the long-term by providing tax credits and grants to help Americans purchase more energy efficient appliances and home energy systems. These credits lower costs now for energy-efficient appliances but also in the long-run by using greener — and cheaper — technologies to fuel our lives.

MAKES HISTORIC INVESTMENTS TO TACKLE THE CLIMATE CRISIS

Protecting our communities and strengthening our resilience in the face of worsening climate-related disasters is not only common sense — it’s also good budgeting. The climate crisis is an existential threat that must be tackled immediately if we are to avoid the most catastrophic consequences. The Inflation Reduction Act is a victory for protecting our planet. It invests more than \$300 billion in climate solutions and clean technologies to deliver the single greatest investment

in combating the climate crisis in American history — all while lowering costs for American families, creating jobs here at home, advancing climate justice, and positioning the United States as the global leader in clean energy. The legislation:

Reduces carbon pollution by 40 percent by 2030 by incentivizing low-carbon technologies and lowering the cost of clean home energy systems and clean vehicles. A [nonpartisan analysis by Energy Innovation](#) found that the Inflation Reduction Act will also create millions of jobs, reduce premature deaths from air pollution, and prevent asthma attacks, creating stronger and healthier communities nationwide.

Protects our climate and Americans' pockets by reducing our dependency on foreign sources of energy and fossil fuels. It includes a tax credit for lower- and middle-income individuals to buy electric vehicles and provides \$1 billion to make affordable housing more energy efficient. Furthermore, it invests in new technologies and efforts to retool manufacturing, bringing to the market environmentally friendly technologies that will help American families pay less while reducing our carbon footprint. All of these investments will lower expenses for families. Princeton ZERO Lab estimates the Inflation Reduction Act would lower energy expenditures for Americans by 4 percent, or hundreds of dollars per household.

Extends and expands clean energy tax credits and creates clean jobs by investing more than \$200 billion to support clean energy investments and manufacturing, improve energy efficiency, and encourage vehicle electrification to help fight the climate crisis. It includes a historic investment for onshore clean energy manufacturing in the United States so we can lead the globe in clean energy. It also includes production tax credits to accelerate U.S. manufacturing of solar panels, wind turbines, batteries, and critical mineral processing. These incentives will not only reduce carbon pollution and create good, well-paying jobs here at home, but will also save the average American family hundreds of dollars per year in energy costs.

Accelerates the clean energy transition by funding grants, rebates, and loans to commercialize emerging clean energy technologies, reinvest in energy communities, support state and local climate pollution reduction plans, and reduce methane emissions and waste from oil and natural gas operations.

Advances climate justice by ensuring low-income and disadvantaged communities, Tribes, Native Hawaiians, and other communities that have historically been left behind *all* benefit from these investments. The climate crisis impacts all of us, so our solutions must reach all of us. The Inflation Reduction Act includes tens of

billions of dollars in investments to support neighborhood equity, safety, and affordable transportation access, while spurring economic development for energy and industrial transition communities. For example, it appropriates \$27 billion for the Greenhouse Gas Reduction Fund, which helps enable low-income and disadvantaged communities to deploy zero-emission technology.

ENSURES FISCAL RESPONSIBILITY & TAX FAIRNESS

According to a range of economic experts, the Inflation Reduction Act reduces the deficit and reduces inflation. The deficit reduction in the legislation comes primarily from tax policies in the bill that will raise revenue and level the playing field. The bill will ensure the wealthiest Americans and the largest and most profitable companies pay their fair share. The Inflation Reduction Act will not increase taxes on middle-income families. The legislation:

Ensures large, profitable corporations pay their fair share so we can make historic investments in our families and our economic future. For example, the bill requires companies that report over \$1 billion in profits to shareholders to pay at least a 15 percent tax rate on those gigantic profits. It is fundamentally unfair for large, highly profitable companies to pay nothing in federal taxes — as they have done in recent years — while working Americans pay taxes with every paycheck. The Inflation Reduction Act also imposes a 1 percent excise tax on publicly traded U.S. corporations for the value of their stock buybacks, which enrich corporations' shareholders rather than invest in their companies or workers.

Makes critical investments to close the more than \$7 trillion projected 10-year tax gap that is largely a product of tax evasion by the wealthy. The bill ensures the wealthy pay the taxes they owe by strengthening the IRS's ability to audit those with the highest incomes. This investment will not only help build a more equitable tax system, but also help close the tax gap and generate savings to pay for historic investments.

This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members.