



Policy Alert

8/15/2022

Today, the House passed the Inflation Reduction Act of 2022 that passed the US Senate last weekend. The bill passed the House by a vote of 220 Yeas to 207 Nays and will be sent to the President for his signature into law. The bill passed without amendment (adopted the Senate bill without change) to get the bill to the President quickly.

As AMPO has reported, the bill contains transportation spending provisions:

\$1.893 billion for a NEW Neighborhood Access and Equity grant program that provides competitive grants for a variety of purposes that look like projects under the IJIA's Reconnecting Communities Pilot Program, Active Transportation Infrastructure Investment Program, and Healthy Street Program

- Grants to improve walkability, safety, affordable access through construction of projects to remove or reuse an existing facility, to retrofit or cap a facility, to build or improve complete streets, or active transportation networks, for planning and capacity building activities in disadvantaged or underserved communities.
- MPOs are eligible.

\$1.262 billion for investments in Economically Disadvantaged Communities for the same kind of FHWA grants under the Neighborhood Access and Equity program, but specifically for communities that are economically disadvantaged.

The Federal share for these programs shall be not more than 80 percent, except that the Federal share of the cost of a project in a disadvantaged or underserved community may be up to 100 percent.

\$50 million for FHWA for:

- Guidance, technical assistance, templates, training, or tools to facilitate efficient and effective contracting, design, and project delivery by units of local government.
- Subgrants to units of local government to build capacity of such units of local government to assume responsibilities to deliver surface transportation projects.

Additional provisions include:

TAXES

Stock Buyback Tax: The bill will levee a 1% excise tax on stock buybacks. This provision is expected to raise \$74B over the next decade. The tax will impact the largest companies that utilize buybacks to increase stock prices.

Corporate Taxes: The bill imposes a 15% corporate alternative minimum tax (AMT) on companies that have traditionally been able to pay little-to-no taxes due to credits and/or deductions. Also, due to the changes from the adopted amendments in the Senate, the bill includes a carve out for private equity, which means fewer companies owned by investment firms will have to pay the tax. This provision will raise slightly less than \$313 billion.

IRS Enforcement: The bill would allocate additional money to the Internal Revenue Service (IRS) to add auditors, improve customer service, and modernize technology. This provision raises approximately \$124 billion.

CLIMATE & CLEAN ENERGY - The bill proposes investing \$369 billion in energy security and climate change programs over the course of the next 10 years.

Decarbonize the Economy: The bill would invest in reduction of carbon emissions via tax credits for clean energy sources; \$30 billion in targeted grant and loan programs; tax credits for clean fuels and commercial vehicles; grants and tax credits to reduce emissions, including \$6 billion for a new Advanced Industrial Facilities Deployment Program; over \$9 billion for Federal procurement; \$27 billion for clean energy technology accelerator; and a Methane Emissions Reduction Program.

Environmental Justice: The bill includes over \$60 billion for environmental justice programs including: Environmental and Climate Justice Block Grants; Neighborhood Access and Equity Grants; Ports Air Pollution Reduction Grants; \$1 billion for clean heavy-duty

vehicles; and additional programs focused on disadvantaged and low-income communities. This includes roughly \$3 billion for environmental justice block grants, such as \$20 million for technical assistance at the community level. Additionally, the bill allocates over \$3 billion for air pollution monitoring in low-income communities.

Rural Communities: The bill would make investments in rural communities including over \$20 billion to support climate smart agriculture practices; \$5 billion in grants to support forest resiliency programs, conservation, and urban tree planting; tax credits to build infrastructure for sustainable aviation fuel and other biofuels; and \$2.6 billion in grants for conservation and restoration of coastal habitats.

Electric Vehicles: The bill includes provisions for a \$4,000 tax credit for lower and middle-income buyers for the purchasing of used EVs, and up to \$7,500 tax credit for new EVs.

HEALTH CARE: The bill includes drug pricing reforms and an extension of higher subsidies for purchasing commercial insurance in the federal marketplace. The drug pricing reforms collectively represent a significant source of revenue for the bill through savings to the federal government, while the subsidies represent an expenditure.

Negotiation: The bill removes the non-interference clause that prevents HHS from negotiating with manufacturers and establishes a scheme for the Secretary to negotiate the price of a limited set of drugs provided through Medicare Parts B and D each year, while setting parameters for the range of acceptable prices. The bill specifies the number of drugs subject to negotiation each year and limits the drugs that would be eligible for negotiation to those without competition.

Inflationary Rebates: The bill would require drug manufacturers who increase drug prices over the rate of inflation in Medicare Parts B and D to pay the difference in a rebate to HHS each year.

Medicare Part D Reforms: Medicare provides prescription drug benefits to beneficiaries through Medicare Part D, under which Medicare contracts with commercial health plans to administer the benefit. Liability for costs of the drugs shifts over the course of the benefit between beneficiaries, Part D plans, and manufacturers. The bill limits beneficiary out-of-pocket costs to a lower amount and shifts greater liability to plans and drug manufacturers in different phases of the benefit. The bill also broadens eligibility for the Low-Income Subsidy, a program for beneficiaries in Part D under which Medicare pays for a significant portion of the beneficiary's premiums and out-of-pocket costs. Finally, the bill waives beneficiary cost sharing for vaccines covered under Medicare Part D (which does not include COVID-19 or flu vaccines, which are covered under Medicare Part B).

Insurance Subsidies: The Affordable Care Act established federal subsidies for consumers within a particular income range (133 – 400 percent of the Federal Poverty Level) that purchase insurance through the federal marketplace. The American Rescue Plan Act included a temporary but significant increase in the level of the subsidies available for consumers and waived the 400 percent FPL income cap. Those temporary provisions expire at the end of 2022. The bill would extend those provisions through 2025.

Insulin: The bill will cap the price consumers in Medicare pay for insulin to \$35 starting in plan year 2023.