COUNCIL for CITIZENS AGAINST GOVERNMENT WASTE

Thomas A. Schatz, *President*
1100 Connecticut Ave., N.W., Suite 650
Washington, D.C. 20036
ccagw.org

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U.S. Senate
Washington, D.C. 20510

Dear Senator,

You will soon be considering the Inflation Reduction Act of 2022 (IRA), which will raise taxes, increase spending, and prolong both inflation and the recession. On behalf of the more than one million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I urge you to vote against this legislation.

Despite claims that there are no tax increases by the White House and several senators, the Joint Committee on Taxation (JCT) makes it clear that the IRA would raise taxes on taxpayers in nearly every tax bracket, with $14.1 billion being added to the tax burden of those making between $200,000 and $500,000, and $16.7 billion added to those making less than $400,000. By 2031, those making less than $400,000 would be hit with more than two-thirds of the tax burden, due mostly to the increased level of subsidies provided to higher-income earners through Green New Deal programs, like the tax credit of up to $7,500 for electric vehicles available to individuals making up to $150,000 and couples making up to $300,000.

Despite claims that the bill would close loopholes, the math is clear that changing the tax on carried interest from a maximum of 23.8 percent to a maximum of 37 percent is a 55.4 percent increase. The new tax rate would raise only $1.4 billion annually over 10 years while wreaking havoc on thousands of small businesses that rely on private equity and venture capital investments to build their businesses and hire new employees.

The minimum corporate tax on book income will have a negative impact on broadband investment by increasing taxes on spectrum purchases and retroactively taxing past spectrum purchases, as well as increasing taxes on capital investment, just as tens of billions of dollars are being made available through both the American Rescue Plan Act and the Infrastructure Investment and Jobs Act, and private broadband investment reached $86 billion in 2021. Making spectrum licenses more expensive will delay efforts to bridge the digital divide.

The IRA would also give the Internal Revenue Service (IRS) $124 billion to increase tax enforcement, including $80 billion to hire tens of thousands of agents over the next 10 years. The Government Accountability Office has included the IRS on its High-Risk List since 1990 and has noted that the agency continually falls short in accomplishing its core mission. The IRA also provides $15 million for the IRS to report to Congress on how the agency could develop its own "free direct efile tax return system."

This expenditure is both wasteful and duplicative. The IRS has made several futile attempts to develop its own information technology systems, including $17 million on a Cyberfile program in 1995-1996, and those wasted tax dollars were among the many reasons that the highly successful Free File system began operating in 2003. This public-private partnership allows up to 70 percent of taxpayers to file for free. Only taxpayers know what they owe, so there is no reason to force them to pay for something that is currently free, or to give the IRS the ability to fill out their tax returns in advance and send them a bill.

The legislation would also impose damaging and dangerous price controls on pharmaceuticals. The healthcare provisions in the IRA would severely dampen innovation in the pharmaceutical industry, lead to fewer drug choices for consumers, and substantially reduce the number of new life-saving medicines in the future. A November 29, 2021, issue brief published by University of Chicago economists Dr. Thomas Philipson and Troy Durie, found that the reduction in revenue from provisions similar to those in the IRA would decrease research and development by 18.5 percent, leading to 135 fewer drugs and generating "a loss of 331.5 million life years in the U.S., 31 times as large as the 10.7 million life years lost from COVID-19 in the U.S. to date. These estimated effects on the number of new drugs brought to market are 27 times larger than projected by CBO, which finds only five drugs will be lost through 2039, equaling a 0.63 percent reduction."

The human cost of price controls is far too high. CCAGW urges you to search your conscience carefully before voting in favor of the IRA, including how you will explain to your family, friends, and constituents that you decided to prevent the development of a cure for a disease that one of them may have now or in the future.

The Green New Deal spending of $379 billion includes provisions that will force states and their taxpayers to comply with radical, unprecedented requirements tying federal funding to "environmental justice" initiatives like "climate mitigation" aid for "underserved forest landowners." There is $1.5 billion in "competitive grants" to states "for tree planting and related activities" and $700 million for states to "acquire land and interests in land" with a focus on applicants "that offer significant natural carbon sequestration benefits or provide benefits to underserved populations."

The tax increases in the IRA, half of which will fall on manufacturing, would be coming a week after the Senate agreed to provide $280 billion in subsidies to increase manufacturing to help compete with China in the CHIPS Act. The bill also raises taxes on energy at a time when gas prices just hit an all-time high and many families are being forced to choose between filling their gas tanks and feeding their families.

The estimates of "deficit reduction" come solely from higher taxes, as once again the Senate Democratic Leadership has not found a single penny of government waste to eliminate, which is by far the more traditional and effective way to reduce the deficit. All votes on the IRA may be among those considered for CCAGW's *2022 Congressional Ratings*.

Sincerely,

Tom Schatz