

## The Inflation Reduction Act Will Fight Inflation and Lower Costs for Americans

The *Inflation Reduction Act* will cut household energy and health care costs for millions of Americans in the near term, while also reducing the budget deficit and fighting inflation. The Act is more than paid for by asking wealthy corporations to pay their fair share in taxes, boosting IRS funding to crack down on wealthy tax cheats and allowing the federal government to negotiate drug prices.

Leading economists, including Nobel Prize winners and former Treasury secretaries, Council of Economic Advisors chairs and a Congressional Budget Office (CBO) director, [agree](#) that by reducing the deficit, the Act will place downward pressure on inflation. The non-partisan [Committee for a Responsible Federal Budget](#) and [Moody's Analytics](#) also conclude that the Act will reduce inflationary pressure. CBO estimated ahead of the Senate vote that the Act will reduce the deficit by more than [\\$300 billion](#) over the next decade, while the Committee for a Responsible Federal Budget estimated that it will reduce the deficit by almost [\\$2 trillion](#) over two decades.

### *Investments in clean energy production and manufacturing will help stabilize energy prices and mitigate economic losses due to climate change*

The *Inflation Reduction Act* will increase energy supply and affordability for the long term by incentivizing private industry and public utilities to produce more clean energy. The Act [includes](#) \$260 billion in clean-energy tax credits to incentivize investment in solar, wind, hydropower and other forms of renewable energy—both for the production of renewable energy and for the manufacturing of the equipment needed to produce renewable energy. It also includes \$27 billion for a “green bank” to use public and private money to leverage more investment in clean energy.

Importantly, these investments will help stabilize prices by making green energy cheaper and mitigate the economic losses that result from climate change. These investments will also reduce dependency on oil, which has been one of the main drivers of inflation, as the United States remains vulnerable to global oil price shocks.

### *Green energy investments will cut household energy spending by more than \$300 per year*

The *Inflation Reduction Act* will lower households’ spending on energy in the near term by providing tax credits and rebates. Together, these credits and rebates will reduce a household’s spending on energy by an estimated [more than \\$300](#) per year on average. Many Americans will be eligible for consumer rebates that will subsidize the installation of more efficient home energy sources such as heat pumps and solar panels, saving households thousands of dollars over the life of these appliances. Many will also qualify for a \$7,500 tax credit for the purchase of a new

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electric vehicle or a \$4,000 tax credit for a used electric vehicle—making these energy efficient vehicles more affordable.

### ***Tax credits will reduce or eliminate health insurance premiums for millions***

The *Inflation Reduction Act* will extend cuts to health insurance premiums for [nearly 13 million](#) low- and middle-income Americans who receive their insurance through the *Affordable Care Act* (ACA) by extending the enhanced premium tax credits for three years, through 2025. Recipients of these credits saved an average of [\\$800](#) in 2021. Monthly premiums were estimated to [decrease](#) by \$50 per person on average in 2022, and four out of five ACA enrollees could find a plan for \$10 or less per month after premium tax credits. Importantly, the extension of these credits will also prevent [3 million](#) people from becoming uninsured, protecting them from financial hardship and saving the health care system from the costs of uncompensated care.

### ***Lowering prescription drug costs will bring down health care costs for millions and slow the pace of inflation***

The *Inflation Reduction Act* will enable Medicare to negotiate prescription drug prices for the first time, lowering the prices seniors pay, saving the program billions and lowering the deficit. Additionally, the Act will cap total annual prescription drug spending for seniors under Medicare at \$2,000 and [limit](#) insulin co-pays for Medicare enrollees to \$35 a month, enabling many of Medicare's 64 million enrollees to spend less out of pocket for prescription drugs. The Act will also penalize drug companies if they increase the price they charge Medicare patients faster than inflation by forcing them to pay the federal government rebates that offset the difference.

The direct cost savings to Medicare will help [reduce](#) long-term concerns about the funding required to maintain the program's Supplementary Medical Insurance trust fund. More generally, these cuts to the federal deficit will [slow](#) the pace of overall inflation while [reducing](#) household expenses for millions of seniors.

### ***Closing tax loopholes and ensuring the wealthy pay their fair share will reduce the deficit and tamp down inflationary pressure***

The *Inflation Reduction Act* will help ensure the wealthiest individuals and corporations pay their fair share in taxes, without increasing taxes on anyone [making](#) less than \$400,000 each year. The Act will institute a 15% corporate minimum tax on the book income of U.S. corporations that make more than \$1 billion per year in profits, closing loopholes that let 55 of the largest corporations [pay](#) no corporate income tax in 2020.

The Act will institute a new 1% tax on corporations when they buy back their own stock, instead of making productive investments in their business or raising the pay of their workers. The Act will also invest \$80 billion in the IRS to enforce the law and go after wealthy tax cheats. A fairer tax code will reduce inflation by reigning in inequality and rebalancing supply and demand.

Altogether, the *Inflation Reduction Act* will reduce the deficit by [\\$300 billion](#) over the next decade. Deficit reduction, in the form of higher taxes and lower government spending, will [decrease](#) inflation.