
# Senate Passes $740 Billion Tax, Climate Package — Will Go To House Next

## Description

***USA:*** **After much wrangling, the Democrats finally passed their sweeping economic package through the Senate on Sunday.**


The estimated $740 billion "Inflation Reduction Act" – far less ambitious than their original $3.5 trillion vision – next heads to the House, where its passage is a foregone conclusion. According to *Axios*, a vote could come as early as Friday before it heads to President Biden's desk.

The package includes **provisions to address climate change, pharmaceutical costs, and a supercharged IRS**.

"It's been a long, tough and winding road, but at last, at last we have arrived," said Senate Majority Leader Chuck Schumer (D-NY). "The Senate is making history. **I am confident the Inflation Reduction Act will endure as one of the defining legislative measures of the 21st century.**"

> WATCH: Kamala Harris and Senate Democrats cheer as they pass a bill to raise taxes on the middle class. pic.twitter.com/NPpPMGV7Wj
>
> — RNC Research (@RNCResearch) August 7, 2022

As the *Washington Post* notes, "Senators engaged in a round-the-clock marathon of voting that began Saturday and stretched late into Sunday afternoon. Democrats swatted down some three dozen Republican amendments designed to torpedo the legislation. Confronting unanimous GOP opposition, Democratic unity in the 50-50 chamber held, keeping the party on track for a morale-boosting victory three months from elections when congressional control is at stake."

And as *Axios* reports,

The Senate returned to the Capitol Saturday afternoon, and began voting late Saturday night and into Sunday on a series of amendments — **part of the process known as "vote-a-rama."**

- Senate Republicans offered dozens of amendments aimed at minimizing the bill, including stripping out funding for the Internal Revenue Service and eliminating COVID-19-related school mandates.
- **Democrats held firm in their unity, with the help of Harris, of preserving the core elements of the package and voting down each GOP amendment.**

. . .

The bill includes:

- $370 billion for climate change – the largest investment in clean energy and emissions cuts the Senate has ever passed.
- Allows the federal health secretary to negotiate the prices of certain expensive drugs for Medicare.
- Three-year extension on healthcare subsidies in the Affordable Care Act.
- 15% minimum tax on corporations making $1 billion or more in income. The provision offers more than $300 billion in revenue.
- IRS tax enforcement.
- 1% excise tax on stock buybacks.

**Drilling down on the climate portion** – *Axios'* Andrew Freedman writes:

- This includes tax incentives to manufacture and purchase electric vehicles, generate more wind and solar electricity and support fledgling technology such as direct air capture and hydrogen production.
- Independent analyses show the bill, combined with other ongoing emissions reductions, would cut as much as 40% of U.S. greenhouse gas emissions by 2030, short of the White House's 50% reduction target. However, if enacted into law, it would reestablish U.S. credibility in international climate talks, which had been flagging due in part to congressional gridlock.
- As part of Democrats' concessions to Sen. Manchin, the bill also contains provisions calling for offshore oil lease sales in the Gulf of Mexico and off the coast of Alaska, and a commitment to

take up a separate measure to ease the permitting of new energy projects.

* * *

Senate Democrats late on Aug. 6 advanced a mammoth spending bill on climate and energy, health care, and taxes, after overcoming unanimous Republican opposition in the evenly divided chamber.


**The procedural vote to advance the Democratic bill – which authorizes over $400 billion in new spending – was 51–50 after Vice President Kamala Harris arrived at the Capitol to cast a vote, breaking the deadlock in the Senate over the measure that Democrats say would reform the tax code, lower the cost of prescription drugs, invest in energy and climate change programs, all while lowering the federal deficit.**

The vote means that senators will have 20 hours to debate on the measure, followed by a vote-a-rama, a marathon open-ended series of amendment votes that has no time limit. After that, the bill will head to a final vote. The measure is anticipated to pass the chamber as early as this weekend.

**The House, where Democrats have a majority, could give the legislation final approval on Aug. 12, when lawmakers are scheduled to return to Washington.**

The vote came after the Senate parliamentarian – the chamber's nonpartisan rules arbiter – gave a thumbs-up to most of the Democrats' revised 755-page bill.

**But Democrats had to drop a significant part of their plan for lowering prescription drug prices,** Parliamentarian Elizabeth MacDonough said.

The provision would have essentially forced companies not to raise prices higher than inflation. MacDonough said Democrats violated Senate budget rules with language in the bill imposing hefty penalties on drugmakers who raise their prices beyond inflation in the private insurance market.

As Mimi Nguyen Ly details at The Epoch Times, **while the bill's final costs are still being determined, it includes about $370 billion on energy and climate programs over the next 10 years, and about $64 billion to extend subsidies for Affordable Care Act program for federal subsidies of health insurance for three years through 2025.**

It also seeks generate about $700 billion in new revenue over the next 10 years, which would leave roughly $300 billion in deficit reduction over the coming decade, which would represent just a tiny proportion of the next 10 year's projected $16 trillion in budget shortfalls.

**A large portion of the $700 billion—an estimated $313 billion—is expected to be generated by increasing the corporate minimum tax to 15 percent,** while the remaining amounts include $288 billion in prescription drug pricing reform and $124 billion in Internal Revenue Service tax enforcement.

According to the current version of the bill, the new 15 percent minimum tax would be imposed on some corporations that earn over $1 billion annually but pay far less than the current 21 percent corporate tax. Companies buying back their own stock would be taxed 1 percent for those transactions, swapped in after Sinema refused to support higher taxes on private equity firm executives and hedge fund managers. The IRS budget would be increased to strengthen its tax collections.

The White House said in a statement of administrative policy on Aug. 6 that it "strongly supports passage" of the bill.

> *"This legislation would lower health care, prescription drug, and energy costs, invest in energy security, and make our tax code fairer—all while fighting inflation and reducing the deficit," the statement reads.*
>
> *"This historic legislation would help tackle today's most pressing economic challenges, make our economy stronger for decades to come, and position the United States to be the world's leader in clean energy."*

**Republicans say the legislation is simply an alternate, dwindled version to the Democrat's earlier Build Back Better bill**—a multitrillion-dollar social spending package that was a major agenda of President Joe Biden—that Democrats have now dubbed the "Inflation Reduction Act of 2022."

Senate Minority Leader Mitch McConnell (R-Ky.) said **Democrats "are misreading the American people's outrage as a mandate for yet another reckless taxing and spending spree."** He said Democrats "have already robbed American families once through inflation and now their solution is to rob American families yet a second time."

> ***"There is no working family in America whose top priorities are doubling the size of the IRS and giving rich people money to buy $80,000 electric cars,"*** *McConnell said in a separate statement on Twitter.*
>
> *"Americans want Washington to address inflation, crime, and the border—not another reckless liberal taxing and spending spree."*

Democrats have said the measure would "address record inflation by paying down our national debt, lowering energy costs, and lowering healthcare costs," but **Republicans have criticized the measure as having no potential other than to make matters worse, nicknaming the legislation "Build Back Broke," in part because the bill would fulfill many parts of Biden's Build Back Better agenda.**

> *"The time is now to move forward with a big, bold package for the American people," said Senate Majority Leader Chuck Schumer (D-N.Y.).*
>
> ***"This historic bill will reduce inflation, lower costs, fight climate change. It's time to move this nation forward."***

But not every Democrat is buying what Chuck is selling…


As John Solomon reports at JustTheNews.com, **Sen. Bernie Sanders, the former presidential candidate and proud socialist, on Saturday attacked President Joe Biden's Inflation Reduction Act for failing to live up to its name,** after the non-partisan Congressional Budget Office declared it would have a minimal impact on surging prices.

> *"I want to take a moment to **say a few words about the so-called Inflation Reduction Act that we are debating this evening**," Sanders said just after voting with Democrats to advance the bill to debate on the Senate floor.*
>
> ***"I say so-called because according to the CBO and other economic organizations that have studied this bill, it will in fact have a minimal impact on inflation.**"*

CBO declared this week that the $740 billion piece of legislation would only affect inflation by 0.1% in either direction.

> ***"I don't find myself saying this very often. But on that point, I agree with Bernie,"***

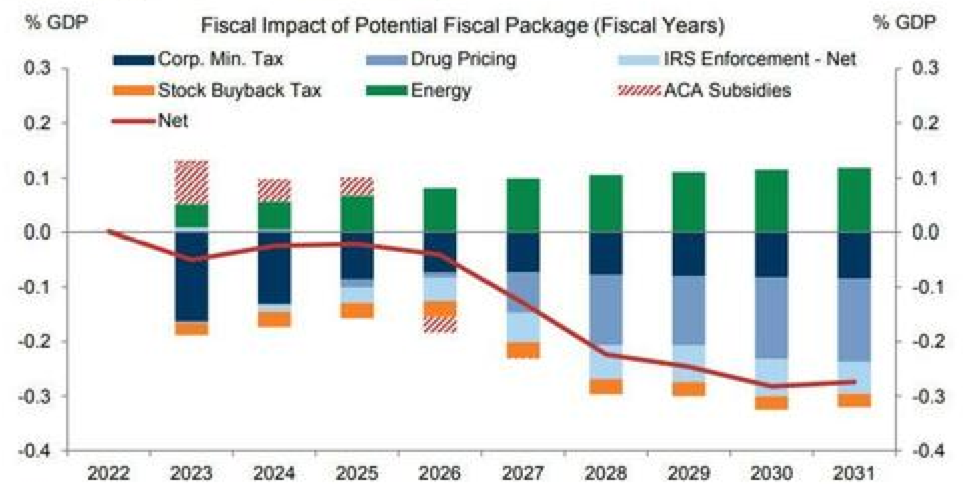
Sen. John Thune, R-S.D., told Insider.

Overall, economic analysts are divided on the measure, with some having predicted that the bill will worsen inflation and lead to stagnation in growth.

As Will Cain explained in an excellent monologue reality check, “look at the name of the bill, whatever it is, you can be sure the legislation will do the opposite.”

Finally, as Goldman details in a new notes, **the net fiscal impact of these policies continues to look very modest, likely less than 0.1% of GDP for the next several years…**

Exhibit 1: An Updated and Still Modest Fiscal Impact




Source: Congressional Budget Office, Joint Committee on Taxation, Goldman Sachs Global Investment Research

While the final outcome may still yet differ in details, the fiscal impact is likely to be similar.

by Tyler Durden

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