

SUMMARY: CLOSING TAX LOOPHOLES IN THE INFLATION REDUCTION ACT OF 2022

Senate Democrats are submitting a tax revenue proposal to the Senate Parliamentarian for inclusion in reconciliation that would raise approximately \$450 billion to pay for deficit reduction, clean energy, and climate investments. The proposal's two main components would re-build the IRS and impose a 15% Corporate Minimum Tax to ensure the wealthiest Americans and corporations cannot avoid paying their fair share of taxes. By investing \$80 billion over the next ten years for tax enforcement and compliance, the Congressional Budget Office estimates the IRS will collect \$203 billion. Additionally, the proposal would impose a 15% domestic tax on the approximately 200 largest corporations that currently pay less than that corporate tax rate. This provision will raise \$313 billion.

Every year, hardworking American families pay their taxes on time while wealthy millionaires and billionaires avoid paying the taxes they owe to the federal government. The IRS needs resources to tackle this challenge. Without these new investments, those at the top will be able to get away with more and more tax avoidance. That's not fair to the tens of millions of honest, hardworking taxpayers who play by the rules.

According to [recent polling](#), *nearly three-quarters of Americans believe the IRS should conduct more tax audits of large corporations and millionaires.*

FUNDING THE INTERNAL REVENUE SERVICE AND IMPROVING TAXPAYER COMPLIANCE

This provision appropriates 10-year funding for the IRS as follows:

- \$3,181,500,000 for taxpayer services,
- \$45,637,400,000 for enforcement,
- \$25,326,400,000 for operations support, and
- \$4,750,700,000 for business systems modernization.

These appropriated funds are to remain available until September 30, 2031, and no use of the funds is intended to increase taxes on any taxpayer with taxable income below \$400,000.

The provision also provides \$15,000,000 of funds for the IRS to prepare and deliver a report to Congress on the cost of developing and running a free direct efile tax return system. The provision permits the Secretary to exercise greater flexibility with respect to personnel, including certain "direct hire" authority.

15% CORPORATE MINIMUM TAX

The current statutory corporate tax rate is 21%. However, some 200 or more large corporations use tax loopholes to avoid paying that rate and actually pay below 15%.

The corporate alternative minimum tax (AMT) proposal would impose a 15 percent minimum tax on adjusted financial statement income for corporations with profits in excess of \$1 billion. Corporations would generally be eligible to claim net operating losses and tax credits against the AMT, and would be eligible to claim a tax credit against the regular corporate tax for AMT paid in prior years, to the extent the regular tax liability in any year exceeds 15 percent of the corporation's adjusted financial statement income.

This provision would be effective for taxable years beginning after December 31, 2022.