

Secretary of the Treasury Janet L. Yellen: Inflation Reduction Act Won't Raise Taxes on Families Earning Less Than \$400,000/Year

August 2, 2022

WASHINGTON – Secretary of the Treasury Janet L. Yellen today sent a letter to congressional leaders on the tax provisions included in the Inflation Reduction Act, and noted the bill would either reduce or have no effect on the taxes due or paid by any family with income less than \$400,000 per year.

The full text of the letter  is below:

August 2, 2022

The Honorable Nancy Pelosi

Speaker

U.S. House of Representatives

Washington, DC 20515

Dear Madam Speaker:

The Inflation Reduction Act of 2022 makes health insurance and prescription drugs more affordable, invests in addressing climate change, and closes tax loopholes for the rich and large corporations. The legislation would either reduce or have no effect on the taxes due or paid by any family with income less than \$400,000 and is fully consistent with the President's pledge. In fact, the clean energy tax credits and the expanded premium tax credit will cut taxes for millions of Americans.

The Inflation Reduction Act extends for three years the expansion of the premium tax credits first enacted in the American Rescue Plan. The expanded tax credits will make health insurance more affordable for millions of Americans. In addition, the legislation would authorize Medicare to negotiate prescription drug prices, leading to billions in savings.

The Inflation Reduction Act also invests \$369 billion in energy security and addressing climate change, including through the extension and expansion of many existing renewable energy credits and the creation of new tax credits for investments in clean energy technologies or energy production. It provides consumer tax credits for home energy efficiency improvements and for the purchase of clean vehicles and extends and expands the existing production tax credits and investment tax credits for businesses to support investments in energy storage technologies, renewable energy sources such as solar and wind power, clean vehicles and charging stations, and fuels such as clean hydrogen.

The legislation would close tax loopholes by imposing a minimum tax on large corporations that ensures they pay a tax rate of at least 15 percent on the income reported to their shareholders for accounting purposes. This minimum tax will prevent corporations from reporting little or no income on their tax returns—and paying little tax—while at the same time reporting much higher income to their shareholders on their financial statements. This minimum tax applies exclusively to U.S.-owned corporations that report more than \$1 billion in income and foreign-owned multinational corporations that report more than \$100 million in income. It would have no effect on the tax liability of families with income below \$400,000.

The Inflation Reduction Act also restricts the ability of wealthy fund owners to exploit the carried interest loophole. This provision applies only to people with income of \$400,000 or more.

In short, the tax provisions of the Inflation Reduction Act close loopholes, invest in our energy and climate future, and make health insurance and prescription drugs more affordable. The corporate minimum tax and carried interest provisions apply to large corporations and investment professionals making \$400,000 or more per year.

Sincerely,

Janet L. Yellen

Identical letter sent to:

The Honorable Kevin McCarthy

The Honorable Charles E. Schumer

The Honorable Mitch McConnell

####