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Inflation Reduction Act signed into law, addressing healthcare, environmental and tax issues

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President Biden signed the Inflation Reduction Act (the "IRA") into law on August 16, 2022. The IRA intends to fight inflation by lowering energy and health care costs and reducing the deficit without direct impact on household taxes.

Despite its name, the bill is unlikely to curb inflation for a couple of reasons. First, there are several provisions that encourage spending, such as the inclusion of $369 billion in new spending to reduce greenhouse gas emissions, invest in clean energy, and extend subsidies for the Affordable Care Act. Second, the bill does not directly address some of the biggest drivers of inflation, such as food costs. Third, some provisions and incentives will not take effect until a later date. For example, a $2,000.00 annual cap on out-of-pocket prescription drugs for people insured by Medicare will not materialize until 2025.

Although the Congressional Budget Office suggests that the bill's impact on inflation this year may be "negligible," the IRA will also take steps to meet the nation's long-term goals with the following strategies:

- Healthcare: cutting prescription drug costs, lowering health care costs, and defeating special interests in the pharmaceutical industry;
- Clean Energy: lowering energy costs, building a clean energy economy, and reducing harmful pollution;
- Tax and Revenue: making the Tax Code more equitable by imposing a 15% minimum tax on the largest, most profitable corporations and reducing the deficit by a projected $305 billion through 2031.

With a mix of spending and saving strategies, the IRA's net affect on the economy remains to be seen.

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