



Episode 30 – On the Inflation Reduction Act

This document provides resources for educators looking for ways to incorporate current events into their curriculum. Each podcast episode is approximately 20 minutes long and available on all major podcast outlets for free. This document provides opportunities for either short-answer/essay-style questions or discussion questions to delve further into topics. Email taxnerds@gmail.com for an answer key.

In this episode, we break down the tax policy changes embedded in the Inflation Reduction Act of 2022.

Concepts covered

- The Inflation Reduction Act
- Clean energy tax incentives
- 1% Stock buyback tax
- IRS Budget Increase

Multiple choice and True/False questions

1. Which Senator expressed opposition to the Build Back Better Act in December 2021, citing concerns about inflation and the way the Act's spending costs were calculated?
 - a. Sen. Chuck Grassley
 - b. Sen. Joe Manchin
 - c. Sen. Chuck Schumer
 - d. Sen. Krysten Sinema
2. How much of the Inflation Reduction Act's \$737B price tag is targeted toward reducing the federal deficit?
 - a. \$0
 - b. \$200
 - c. \$300B
 - d. \$500B
3. Which of the following, originally included in the Build Back Better Act, was dropped from the Inflation Reduction Act?
 - a. Expanded Child Tax Credit
 - b. Student Loan Forgiveness
 - c. Prescription Drug Cost Caps
 - d. Electric Vehicle Tax Credit

4. Which of the following is true about the Electric Vehicle Tax Credit passed as part of the Inflation Reduction Act?
 - a. It applies only to purchases of new electric vehicles
 - b. It caps the number of cars that can qualify each year
 - c. It includes caps on the price of vehicles that can qualify
 - d. It applies to all taxpayers regardless of their income

5. How is the credit for residential solar panels computed under the Inflation Reduction Act?
 - a. 30% of qualified installation costs
 - b. 26% of qualified installation costs
 - c. 22% of qualified installation costs up to \$25,000
 - d. The credit is a flat \$2,000 credit on any qualified installation of residential solar panels

6. How much spending does the Inflation Reduction Act target toward business tax credits for renewable energy?
 - a. \$40B in production tax credits
 - b. \$60B in investment tax credits
 - c. \$40B in a mix of investment tax credits and production tax credits
 - d. \$100B in a mix of investment tax credits and production tax credits

7. What is the biggest source of new tax revenue in the Inflation Reduction Act?
 - a. The Global Minimum Tax
 - b. The Corporate Book Minimum Tax
 - c. The Stock Buyback Tax
 - d. The limitation of deductibility of losses from flow-through entities

8. Which of the following is not true about the Corporate Minimum Book Tax?
 - a. It allows an adjustment for accelerated tax depreciation
 - b. It allows for R&D tax credits
 - c. It offers a credit for Minimum Book Taxes paid in the current year to be carried forward
 - d. It applies to all US entities with book profits more than \$100M

9. The Inflation Reduction Act imposes a _____% excise tax on share repurchases.
 - a. 1%
 - b. 2%
 - c. 5%
 - d. 15%

10. Approximately how much additional IRS funding does the Inflation Reduction Act authorize?
- \$400M
 - \$80B
 - \$120B
 - \$200B
11. According to the Penn Wharton Budget Model, how will the Inflation Reduction Act affect inflation?
- It will reduce inflation by an estimated 20%
 - It will reduce inflation by an estimated 50%
 - It will increase inflation by an estimated 10%
 - It will not have a measurable impact on inflation
12. According to a Treasury Report, approximately how many new IRS enforcement personnel are likely to be hired with new funding?
- 1,000
 - 5,000
 - 8,000
 - 87,000
13. Treasury Secretary Janet Yellen ordered the IRS not to use any new funding to increase audits of taxpayers making less than \$_____ each year.
- \$100,000
 - \$250,000
 - \$400,000
 - \$1,000,000

Short answer/essay or in-class discussion questions

- Split your class into teams of 3-4 students and assign each team one new tax provision to research. Have each group present 2-3 slides on their assigned provision to the class.
- In your own words, explain the pros and cons of publicly stating that the IRS will not use new funds to increase the audits of taxpayers making less than \$400,000 each year.

Data analysis/visualization

- Using data from Compustat, identify firms that have repurchased shares since January 1, 2018. Compute the tax revenue the excise tax could have generated. Identify which industries would be most affected by the tax. Compare the excise tax to these firms' income taxes over the same period.