

The Inflation Reduction Act of 2022

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The Inflation Reduction Act of 2022: *Background & Reconciliation*

Federal Budget Statute (2 U.S.C. §641)

House & Senate Budget Committees can include reconciliation instructions.

Reconciliation Instructions

Must be agreed-to by both House & Senate as part of a Budget Resolution; not signed into law by President.

Instructions

Committees to take action related to budget; compiled into single bill considered under special rules (e.g., no filibuster).

The Inflation Reduction Act of 2022: *Background & Reconciliation*

The 'Byrd Rule' (2 U.S.C. §644)

Budget reconciliation is subject to special rules; in the Senate the Byrd Rule prohibits non-budgetary or extraneous matters.

Extraneous means...

- 1) it does not produce a change in outlays or revenues;
- 2) the changes in outlays or revenues fail to meet the instructions to the committee;
- 3) a provision is not within the jurisdiction of the committee...

Extraneous also means:

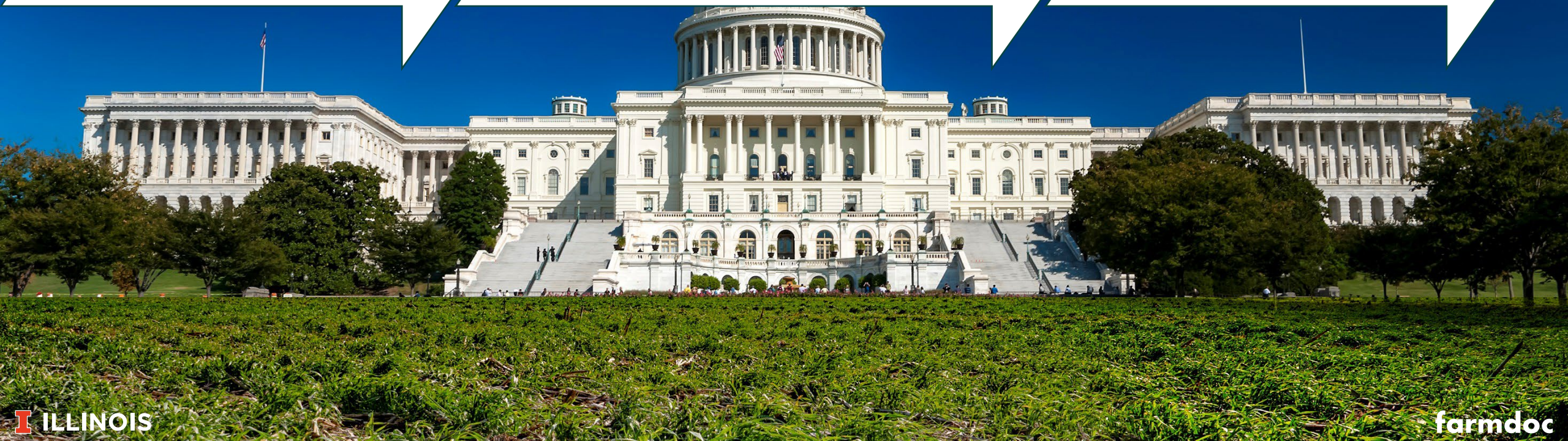
- 4) the changes in outlays or revenues are considered “merely incidental to the non-budgetary components”; and
- 5) any changes in outlays or revenues occur during any fiscal year after the fiscal years covered by the reconciliation instruction.

The Inflation Reduction Act of 2022: *Background & Reconciliation*

S. Con. Res. 14: fiscal
years 2023-2031
(Aug. 24, 2021)

Title II: instructions to Senate
Ag Committee to report
changes that increase deficit
by not more than \$135b

Inflation Reduction
Act of 2022 became
Public Law 117-169
on Aug. 16, 2022



Inflation Reduction Act: The Topline

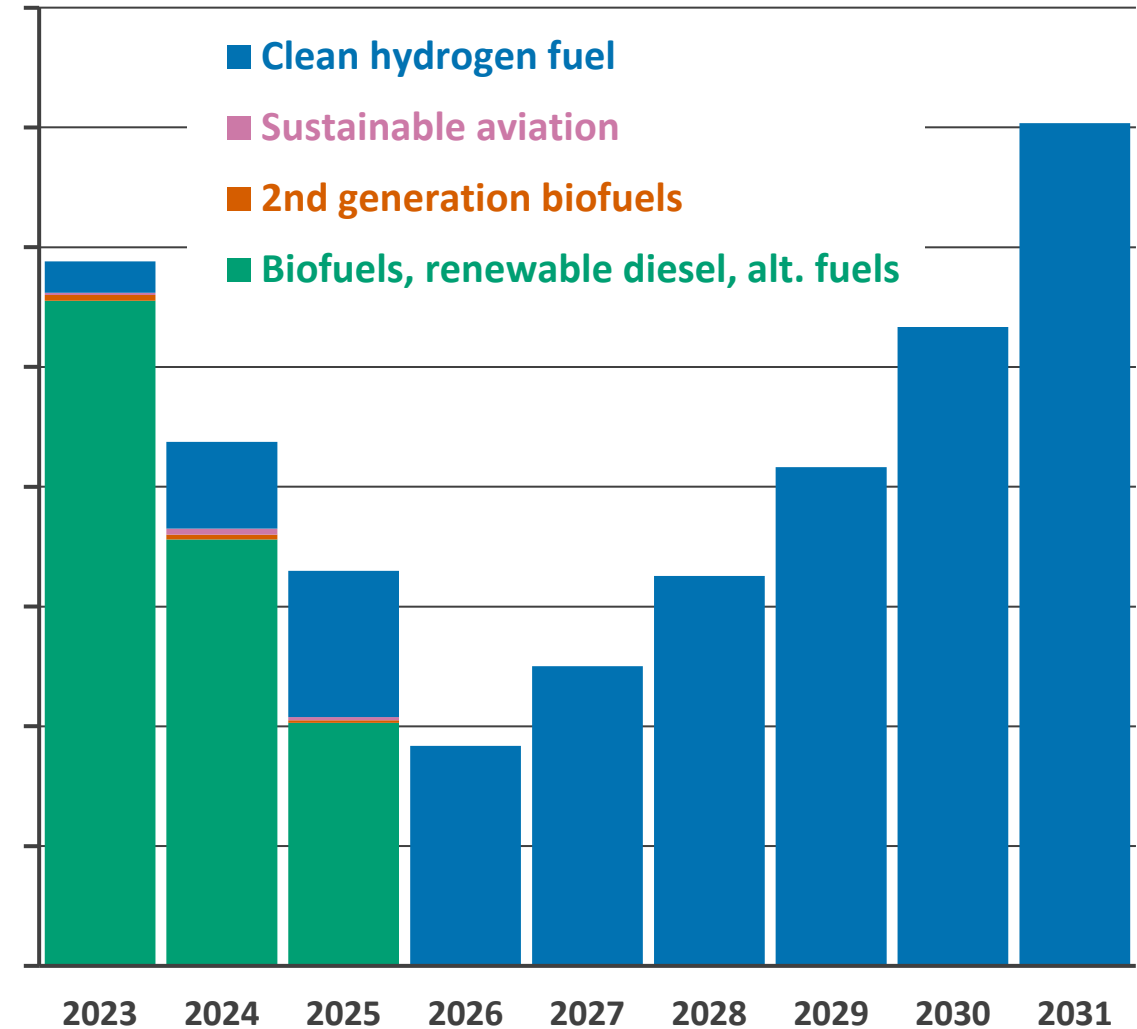
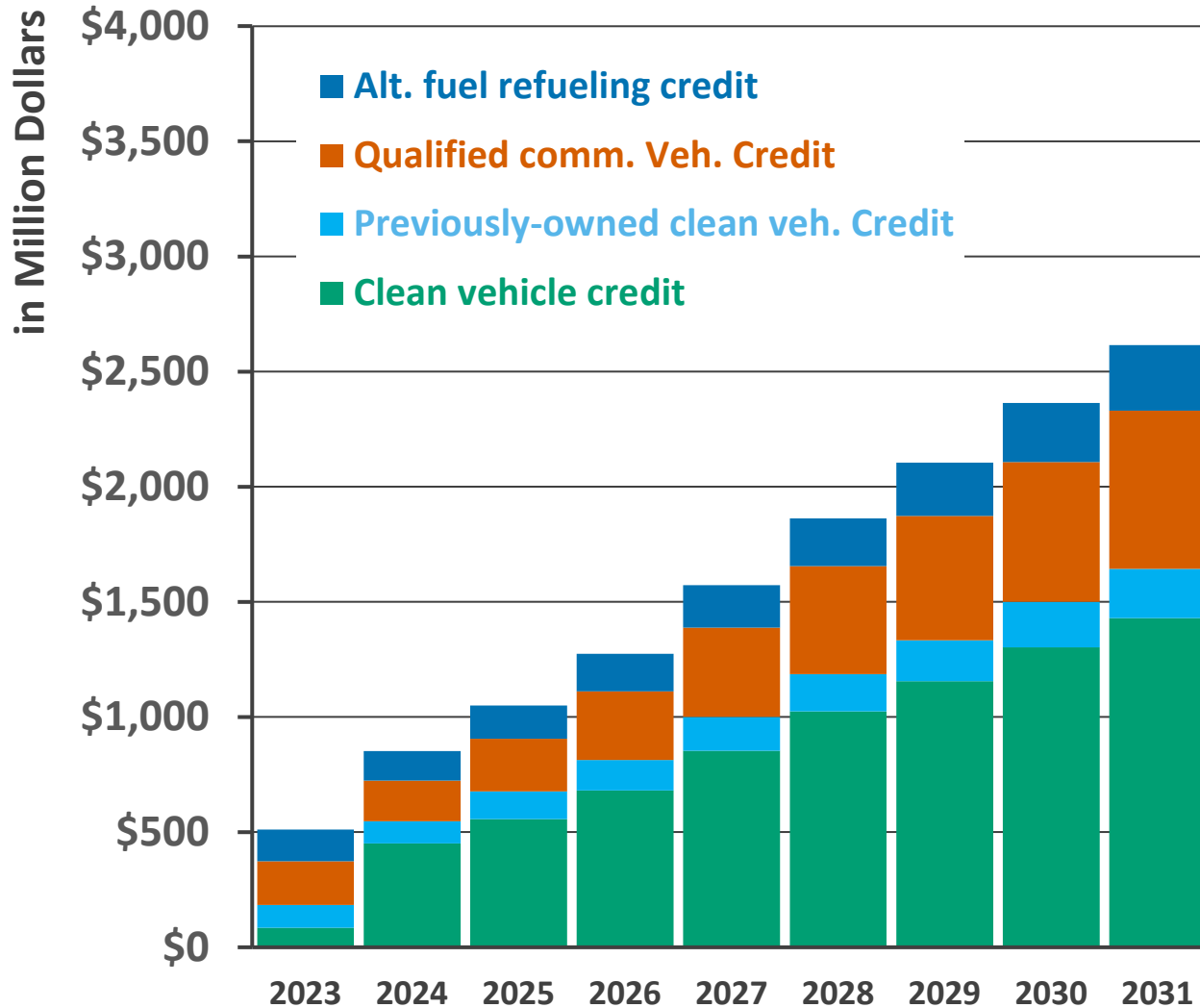


| Inflation Reduction Act of 2022: Summary (Compiled Scores: CBO, JCT & Senate Democrats) | |
|---|--|
| Expenditures/Spending (FY 2022-2031 Total) | Revenues (FY2022-2031 Total) |
| Spending by Committee: <ul style="list-style-type: none"> ▪ -\$34.7 billion: Agriculture, Nutrition & Forestry ▪ -\$1.5 billion: Banking, Housing & Urban Affairs ▪ -\$3.6 billion: Commerce, Science & Transp. ▪ -\$35.1 billion: Energy & Natural Resources ▪ -\$35.5 billion: Environment & Public Works ▪ -\$4.0 billion: Homeland Security & Gov't. Affairs ▪ <u>-\$400 million</u>: Indian Affairs <p><i>-\$115 billion</i></p> | Taxes: <ul style="list-style-type: none"> ▪ \$222 billion: alternative corporate minimum tax ▪ <u>\$74 billion</u>: stock buyback tax <p><i>\$296 billion</i></p> |
| Tax Credits: <ul style="list-style-type: none"> ▪ -\$65 billion: renewable electricity ▪ -\$37 billion: homes and buildings (efficiency, etc.) ▪ -\$33 billion: clean vehicles & transp. Fuels ▪ -\$37 billion: advanced energy & manufacturing ▪ -\$66 billion: clean electricity & fuels ▪ <u>-\$33 billion</u>: nuclear & CO2 sequestration <p><i>-\$271 billion</i></p> | Other Revenue: <ul style="list-style-type: none"> ▪ \$265 billion: prescription drug prices ▪ <u>\$66 billion</u>: other (min. losses; Superfund; etc.) <p><i>\$331 billion</i></p> |
| Other: <ul style="list-style-type: none"> ▪ -\$69 billion: Affordable Care Act subsidies ▪ <u>-\$4 billion</u>: western drought resiliency <p><i>-\$73 billion</i></p> | Internal Revenue Service: <ul style="list-style-type: none"> ▪ -\$80 billion: enforcement, etc. ▪ <u>\$204 billion</u>: taxes collected <p><i>\$124 billion</i></p> |
| -\$292 billion | \$751 billion |
| \$290 billion (deficit reduction) | |

Inflation Reduction Act: Vehicles & Fuels

■ -\$33 billion: clean vehicles & transp. Fuels

■ -\$66 billion: clean electricity & fuels



Renewable Energy Highlights

Extends Biodiesel Income Tax Credit

Extends biodiesel, alternative fuel,
and second-generation biofuel tax credits through 2024

Renewable Energy Funds

- \$3B for renewable energy projects in rural areas
- \$1.7B for Rural Energy for American Program (a farm bill program)
- \$9.7B for rural cooperatives assistance in renewable energy
- \$5M to EPA to carry out Renewable Fuel Standard

• Sustainable Aviation Fuel

New credit through FY2024

Inflation Reduction Act: the IRS

Internal Revenue Service:

- -\$80 billion: enforcement, etc.
- \$204 billion: taxes collected
\$124 billion

Taxpayer Services

\$3.2 Billion

“...to provide taxpayer services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109...”

Business Systems Modernization

\$4.75 Billion

“...business systems modernization program, including development of callback technology and other technology to provide a more personalized customer service...”

Operations Support

\$25.3 Billion

“...to support taxpayer services and enforcement programs...”

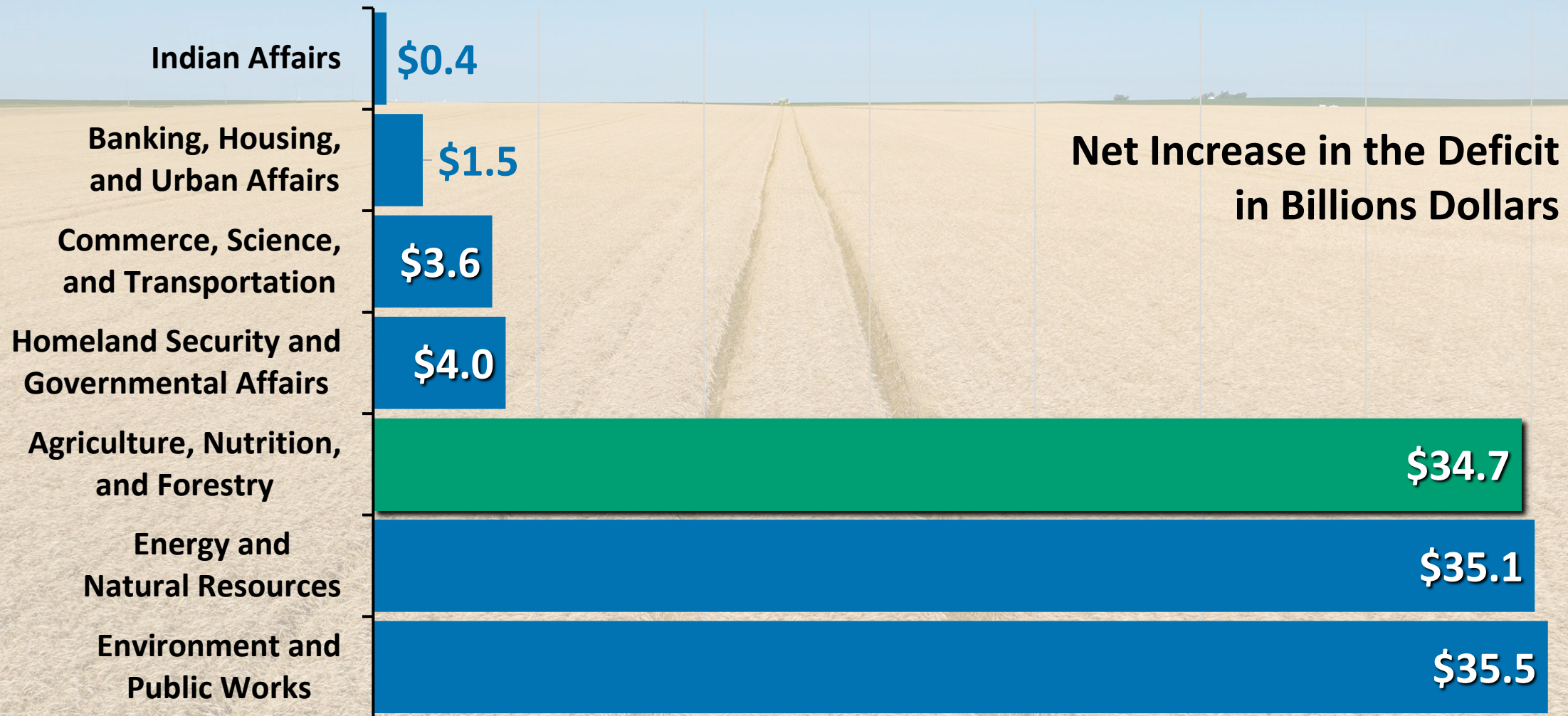
Enforcement

\$45.6 Billion

“...to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations (including investigative technology), to provide digital asset monitoring and compliance activities, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes...”

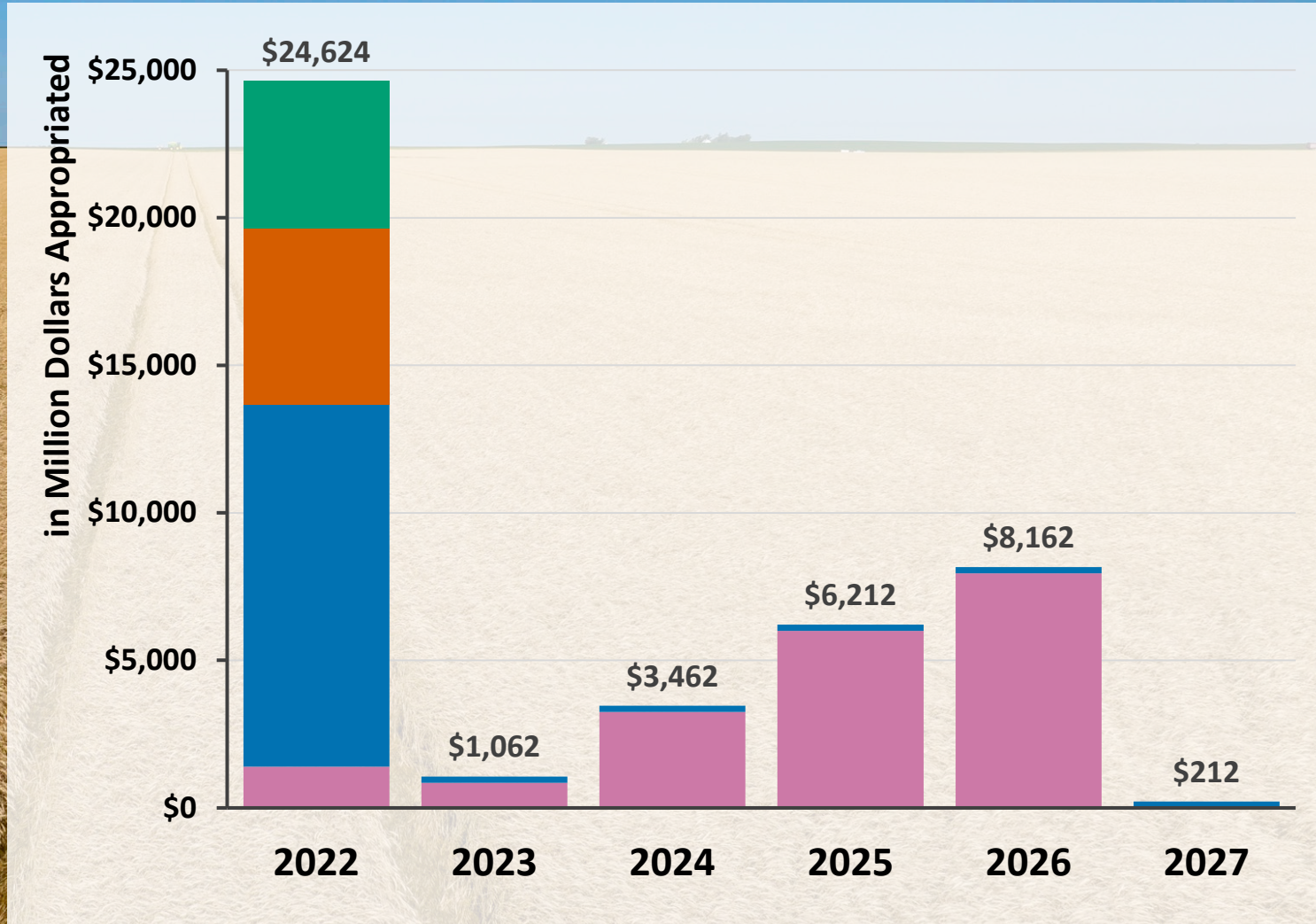
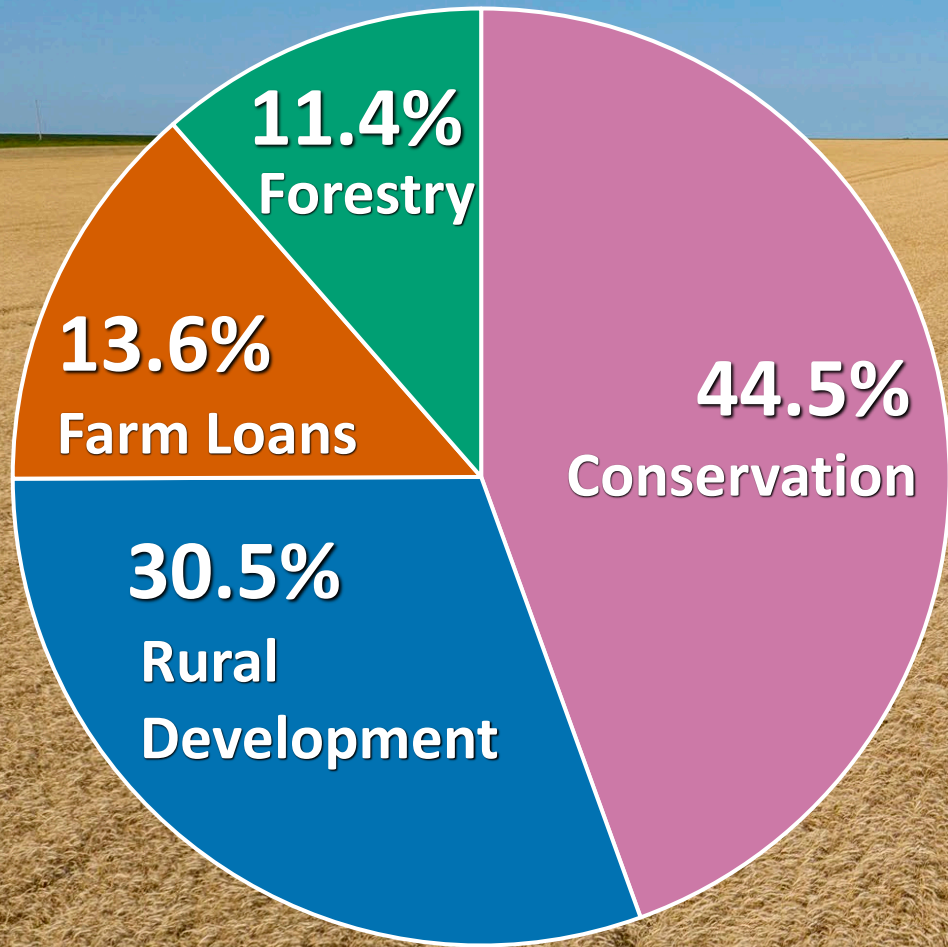
Inflation Reduction Act: Agriculture

The Inflation Reduction Act of 2022 Score by Committee (CBO August 11, 2022)



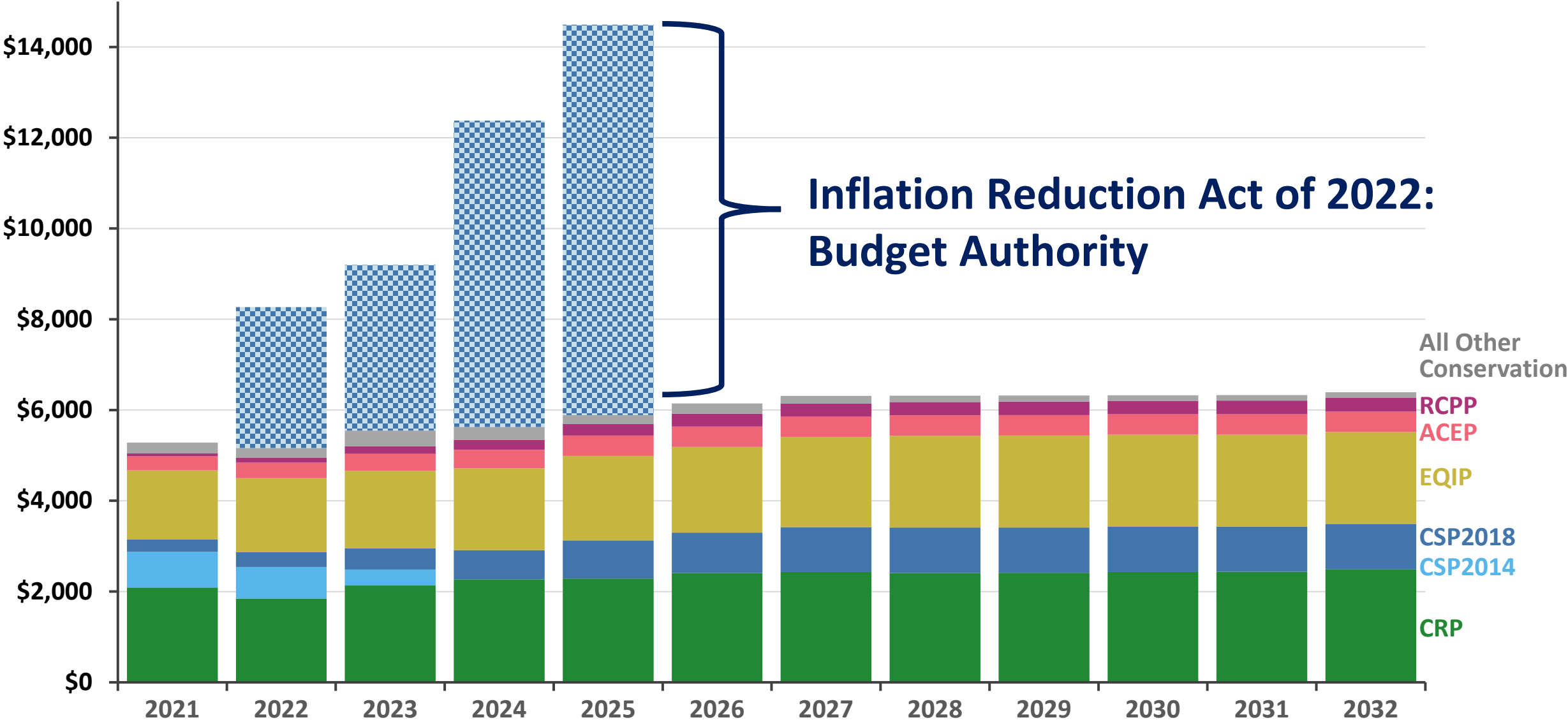
Inflation Reduction Act: Agriculture

Agriculture Committee Funding



Conservation Program Outlays by Fiscal Year in Million Dollars

Congressional Budget Office (CBO) May 2022



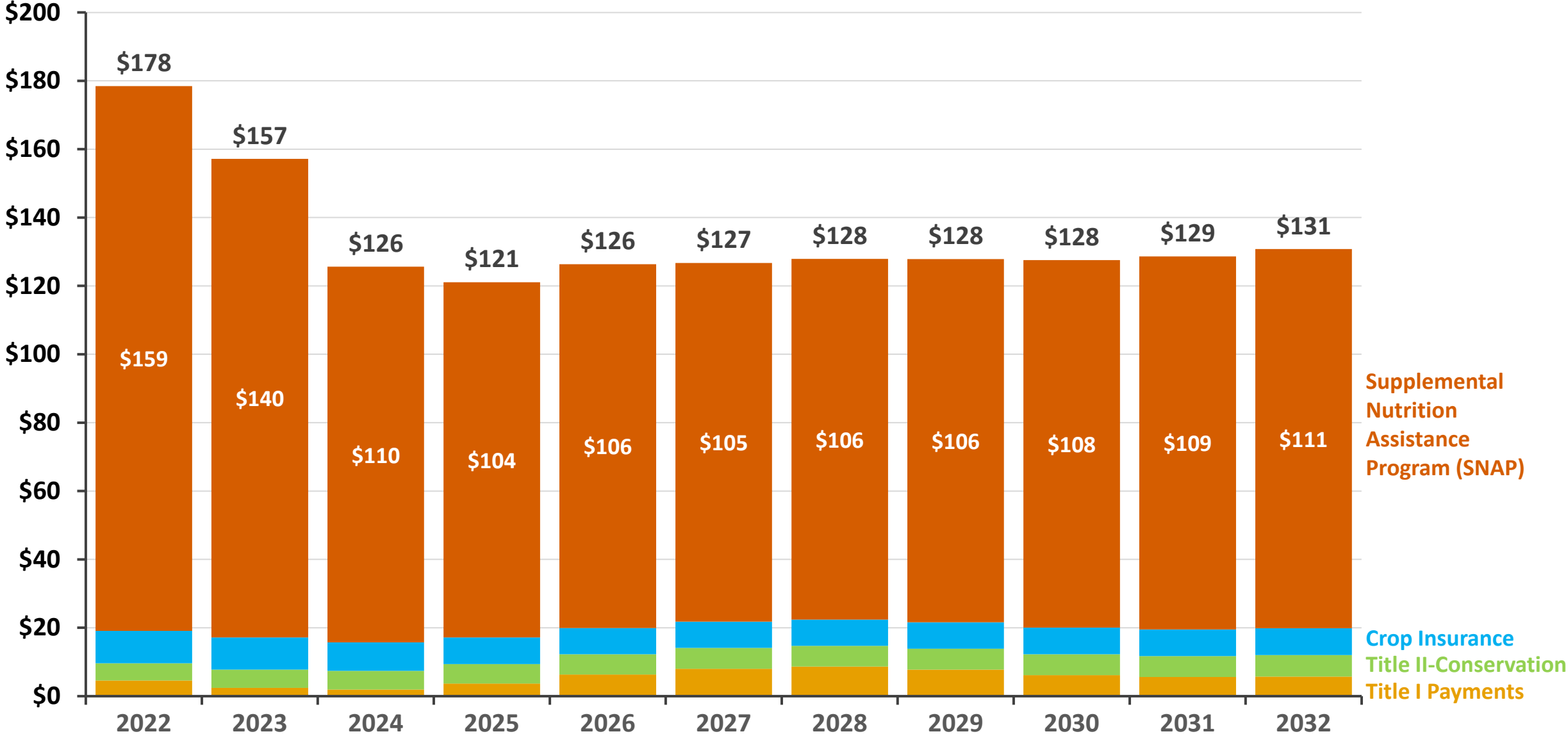
Note on conservation program spending

All of the conservation program spending in the IRA is for “**1 or more agricultural conservation practices or enhancements** that the Secretary determines directly improve soil carbon, reduce nitrogen losses, or reduce, capture, avoid, or sequester carbon dioxide, methane, or nitrous oxide emissions, associated with agricultural production”



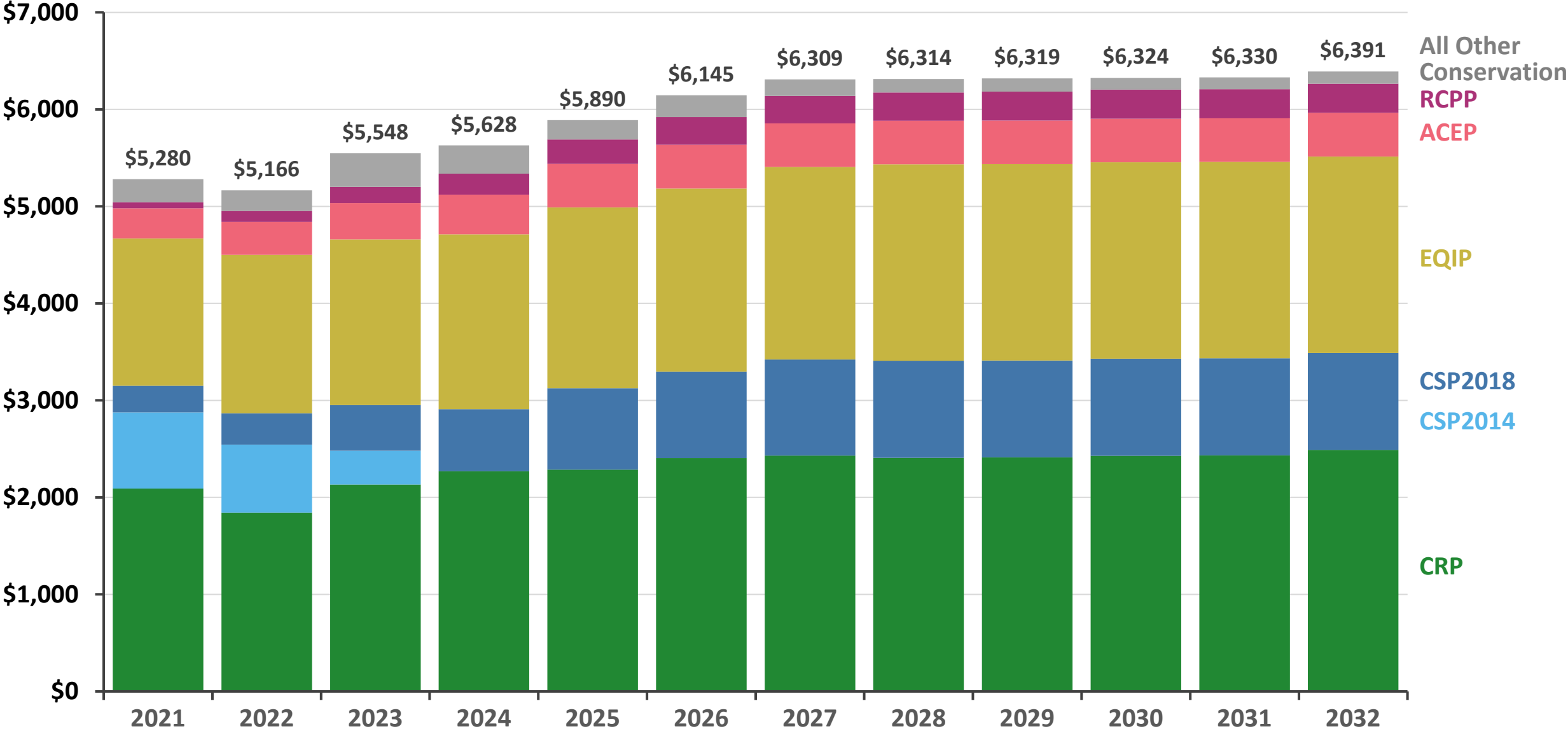
Farm Bill Baseline Overview in Billion Dollars

Congressional Budget Office (CBO) May 2022



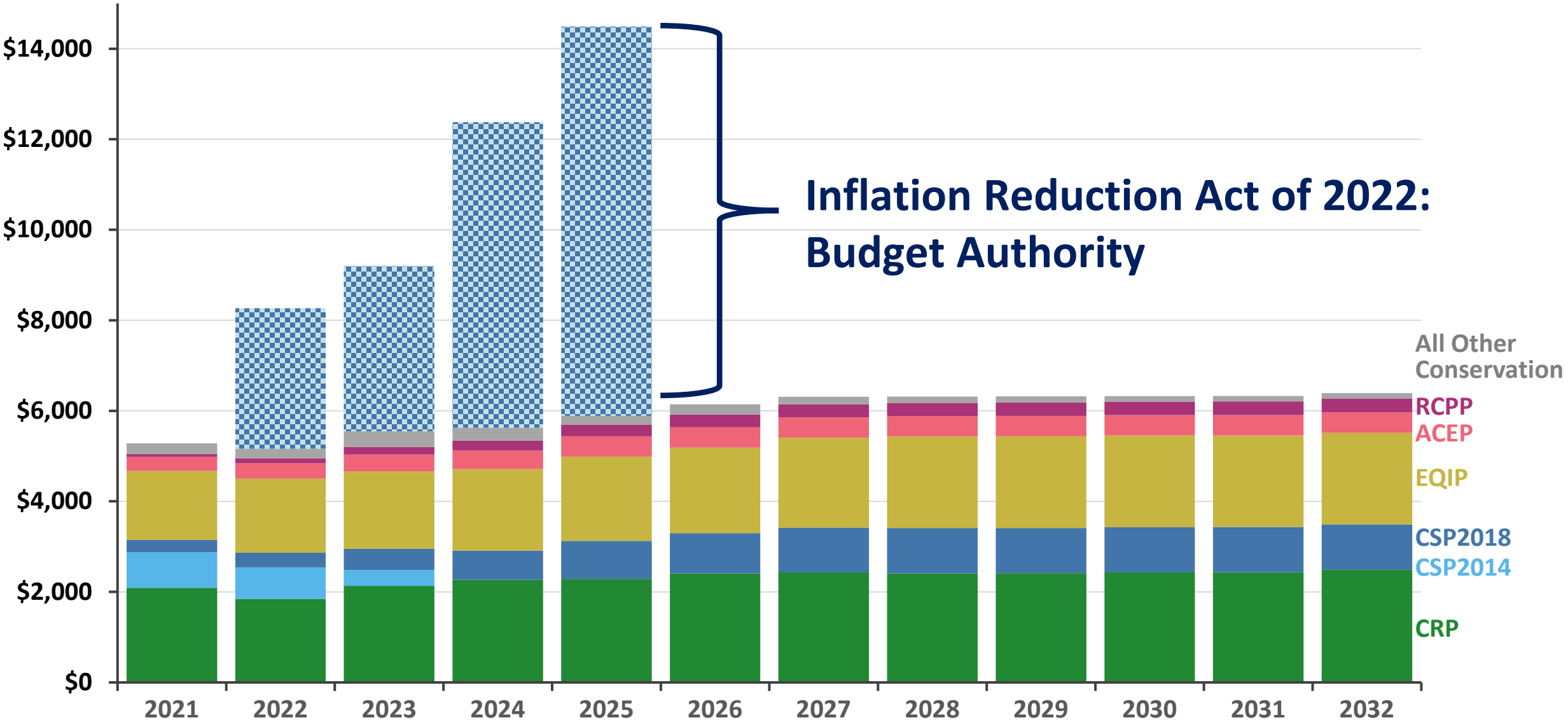
Conservation Program Outlays by Fiscal Year in Million Dollars

Congressional Budget Office (CBO) May 2022



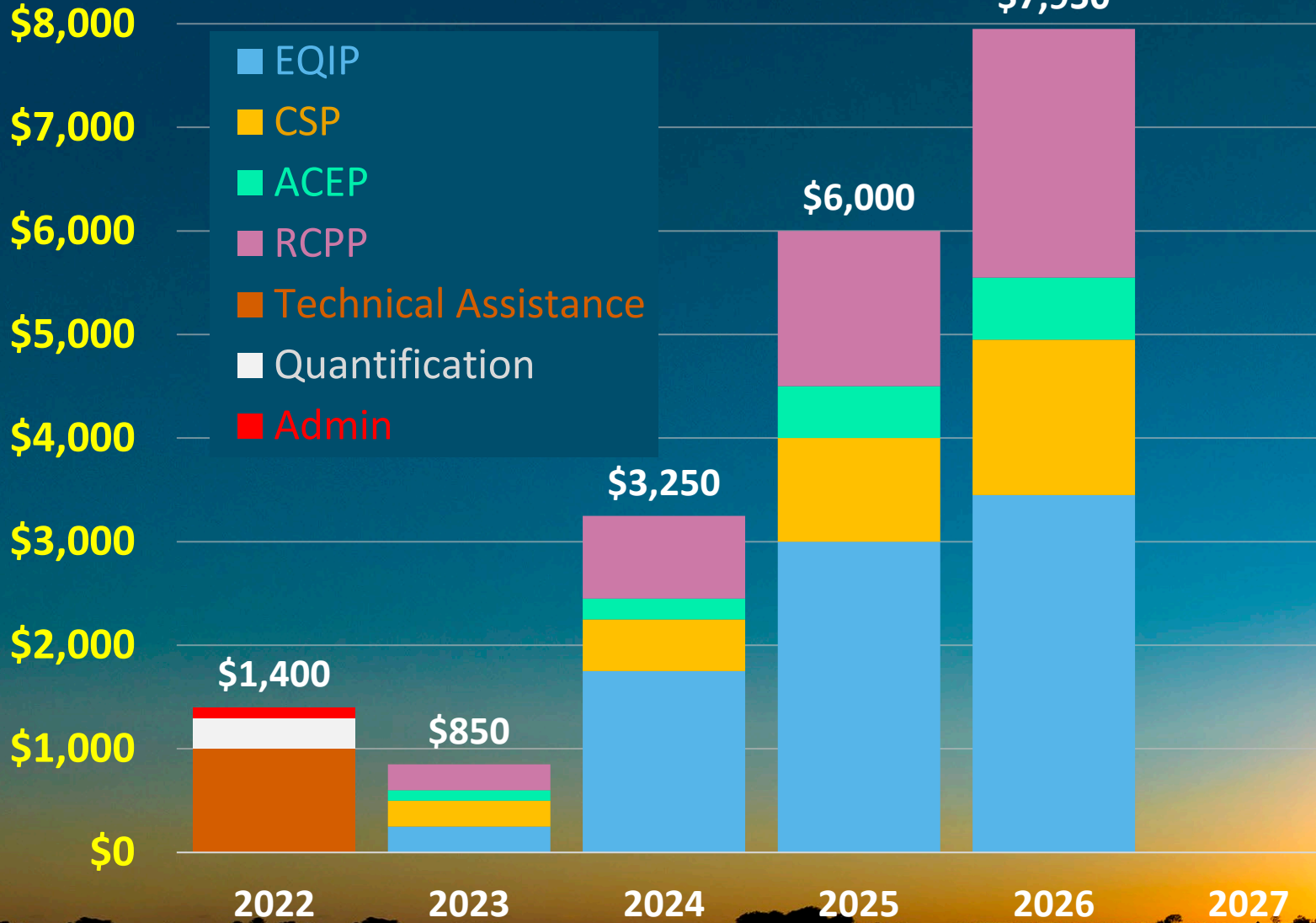
Conservation Program Outlays by Fiscal Year in Million Dollars

Congressional Budget Office (CBO) May 2022



Inflation Reduction Act: Agriculture

in Million Dollars



Authorization Extensions from FY2023 to FY2031

[16 U.S.C. §3839aa-2](#) and [§3839aa-8](#)

Environmental Quality Incentives Program (EQIP)

[16 U.S.C. §3839aa-22](#) and [§3839aa-24](#)

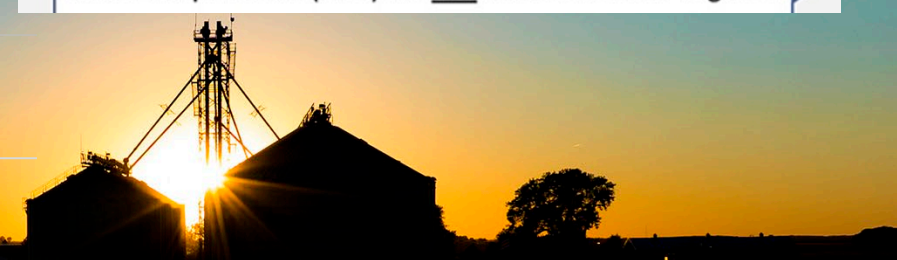
Conservation Stewardship Program (CSP)

[16 U.S.C. §3871d](#)

Regional Conservation Partnership Program (RCPP)

[16 U.S.C. §3841](#) and [§3844](#)

Facilities, Funding & Authorities of the Commodity Credit Corporation (CCC) for ALL Conservation Programs



Ag & Conservation Highlights

About \$19B from IRA for Conservation – primarily added to existing programs:

\$8.45B for Environmental Quality Incentives Program

\$4.95B for Regional Conservation Partnership Program

\$3.25B for Conservation Stewardship Program

\$1.5B for Agricultural Conservation Easement Program

\$1.5B for NRCS Conservation Technical Assistance

Ag & Conservation Highlights

- Adds to budget authority over 2022-2025 fiscal years, more than doubles funds
- Still waiting on how dollars will be distributed by states
- Funding limitations have kept conservation program approvals **<1/3 of IL applicants**
 - IRA additional funds will allow for approval of more conservation initiatives
- Gearing up for new fiscal year 10/1
- “New era” in ability to address conservation needs

Tax Credit Highlights

Provides >\$370B in new energy-related tax credits over the next 10 years

- Creation of tax credits for adopting electric vehicles
- Extending tax credits for nuclear energy and other lower carbon technologies
- Extended and expanded support for building energy efficiency investments, for real estate owners and homeowners

Make sure what you buy qualifies for the intended credit

There are various income, production location, labor type, etc. requirements to meet qualifications or credit thresholds

Paying for the Inflation Reduction Act

Proposed tax provisions in earlier legislation **not** included

- Eliminating auto-step-up basis
- Higher capital gains taxes
- Estate tax thresholds
- etc...

Paying for the Inflation Reduction Act

Majority of revenue in IRA from:

- Reform of the Medicare prescription drug program
- 15% minimum tax on corporations with income > \$1B
 - Won't directly affect any farms
- Two-year extension of excess business loss limitation provision
 - Limits the business loss amount that farmers can carry back
 - Originally through 2025, extended to 2026 in 2021, now extended to 2027 and 2028
- Spending \$80B for Internal Revenue Service resulting in estimated \$204B additional revenue, or \$124B net gain
 - Likely means **increased audits**, be diligent in farm and business record keeping

Upcoming Webinars

Oct 6: Brazilian Agriculture in 2022-23. What to Expect for Acreage?

Joana Colussi and Gary Schnitkey

Historic growth in Brazilian agriculture will be documented, and projections will be made for the 2022-23 production year. Joana Colussi will bring perspectives on the potential of Brazilian agriculture in the future, especially regarding soybean and corn acreage and production.

Oct 13: Machinery Investments and Farm Financial Trends

FBFM, Brad Zwilling

Machinery investments on farms have been increasing due to various factors. Brad Zwilling with Illinois Farm Business Farm Management (FBFM) will use FBFM data to look at the farm machinery investment over time as well as some other farm financial trends affecting farms.



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Fertilizer Prices, Rates, and Costs for 2023
 September 27, 2022
 Gary Schnitkey, Nick Paulson, Carl Zulauf, Krista Swanson, and Jim Baltz
 While fertilizer prices have declined since spring, fertilizer prices remain high, and fertilizer costs are significantly higher than a year ago. Therefore, reducing rates where practicable seems prudent. Some fields...

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