



IWV Letter Opposing Inflation Reduction Act

August 1, 2022

Dear Senators and Members of Congress,

Independent Women's Voice (IWV) fights for women by expanding support among women, independents, and millennials for policy solutions that aren't just well-intended, but actually enhance people's freedom, opportunities, and well-being. On behalf of IWV, we urge you to reject the Inflation Reduction Act (H.R. 5376).

The U.S. economy is in recession after shrinking for two consecutive quarters and American households continue to battle over 40-year-high inflation. The **consumer price index** rose 9.1% in June 2022 from one year prior. Food prices rose even faster at 12.2%. Meanwhile, real wages have fallen by 5.6% since the end of 2020. Savings rates are falling as households dip into their reserves to make ends meet and credit card usage is rising.

The number of Americans who are financially struggling has increased by double digits in the past year due to inflation and rising gas prices. Inflation's most devastating impact is felt by the most vulnerable households—poor, low-income, and those on a fixed budget—which spend more of their income proportionately on groceries and gas than middle-income and high-earning households.

Women make most daily household purchases. They know what their households spend on essentials and understand how inflation is robbing their families of quality of life. Understandably for voters, especially women, the economy and inflation are the top issues of concern. Congress should be focused on bringing down costs at the grocery store and the gas pump for women and families. Instead, they are poised to consider spending hundreds of billions in new federal spending that will likely drive inflation higher, reduce economic growth, and reduce wages for workers.

The Inflation Reduction Act proposes to reduce the deficit and lower inflation by increasing taxes. It imposes a new minimum corporate tax based on financial statement income, boosts revenue for IRS enforcement, and narrows the carried interest loophole for investment fund managers' income. Non-partisan analysis confirms the negative impacts of this bill. The Joint Committee on Taxation (JCT) found that **49.7%** of the book tax would hit U.S. manufacturers. An analysis by the National Association of Manufacturers finds that the tax in 2023 alone would reduce real GDP by **\$68.5 billion** and cut labor income by \$17.1 billion. Hitting manufacturing and transportation industries will likely worsen current supply chain issues. Tax increases on corporations get passed on to consumers through higher prices and to workers through reduced pay.

This bill will also raise taxes on many middle-class and lower-income households at a time when inflation is already eroding their purchasing power. The JCT finds that average tax rates will go up for

nearly **every income** category in 2023 including \$16.7 billion on Americans earning less than \$200,000 a year.

Most concerning, the Inflation Reduction Act will fail to do what its name claims. According to preliminary **estimates** from the Penn Wharton Budget Model (PWBM), this bill would actually increase inflation for the next two years. PWBM notes: “We estimate that the Inflation Reduction Act will produce a very small increase in inflation for the first few years, up to 0.05 percent points in 2024.” In addition, it would have no impact on GDP over the next decade, but just slightly increase GDP by 0.2% by 2050.

Supply and demand are mismatched. Any efforts that spur consumer demand or reduce producer supplies will worsen inflation. The 2021 American Rescue Plan flooded households and the economy with trillions of dollars fueling the price increases we are battling today. The Inflation Reduction Act does nothing to get supply and demand back into equilibrium, but will increase the hardship on women and American families.

For the above reasons, we urge Congress to reject the Inflation Reduction Act.

Respectfully,



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