



U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS

1139 LONGWORTH HOUSE OFFICE BUILDING

Washington, DC 20515

April 26, 2023

The Honorable Kevin McCarthy
Speaker
United States House of Representatives
H-232, U.S. Capitol
Washington, DC 20515

Speaker McCarthy:

Thank you for your leadership on H.R. 2811, the *Limit, Save, Grow Act of 2023*. I write regarding the revenue provisions in that bill, and updated estimates as to how much they may impact the American taxpayer.

One of the key provisions of H.R. 2811 is rolling back the “green” corporate welfare Democrats jammed into the so-called *Inflation Reduction Act* (IRA), to stop taxpayer dollars from flowing to companies backed by the Communist Party of China and to revoke the blank check to politically connected industries. Congressional scorekeepers report that the price tag for the special-interest tax breaks in the IRA is on the rise—currently more than twice what was originally advertised and going higher. It gets worse: With “direct pay” and “transferability” features, Democrats designed this “green” corporate welfare to function like direct government spending, rather than traditional tax credits that reduce taxes owed. As of today, we are still working to better understand how high the price to American taxpayers may become, but much of this can and should be treated as direct outlays to the federal government. We will continue to work with the Joint Committee on Taxation to ensure that the American people have full transparency into Democrats’ special-interest spending largesse.

With the *Limit, Save, Grow Act*, we will reverse course on Democrats’ destructive economic policies and get our country back on track. One of those key provisions of H.R. 2811 protects low- and middle-income families from increased IRS audits and harassment by repealing \$71 billion in enforcement funding that would more than double the size of an already massive, scandal-prone bureaucracy. Recent projections from the Congressional Budget Office do not fully take into account the risk for working class families from this windfall for the IRS. President Biden’s Office of Management and Budget published a report late last year showing that the additional IRS funding in the IRA and subsequent increased audits on American taxpayers would grow federal revenues by \$296 billion. Deputy Treasury Secretary Adeyemo said on April 17, 2023, that Treasury still expects to collect a total of \$400 billion from increased

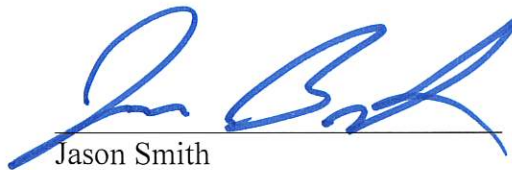
audits on American families. But analysis by Ways and Means Republicans shows that the lion's share of this increased revenue will come from lower- and middle-income earners through more audits, including 650,000 new audits on taxpayers making less than \$75,000. In fact, Secretary Yellen admitted in testimony before the Ways and Means Committee that the number of audits would rise. It is critical that we protect the American people from this onslaught of IRS scrutiny.

Democrats continue to tell American families to do more with less, while they supercharge federal spending and inflation. Throughout the first two years of the Biden Administration, House Republicans fought against Democrats' job-killing tax increases, an IRS army of 87,000, and the reckless spending that fueled President Biden's cost-of-living crisis contained in bills like the *American Rescue Plan* and *Inflation Reduction Act*. When the provisions of those bills are treated as they properly should be, the *Limit, Save, Grow Act* will yield a reduction in taxes for the actual American taxpayer.

That said, I understand concerns have been raised by some of our colleagues about the uncertainty of the overall revenue impact of the IRA related policies in this legislation as we continue to get new and changing numbers and have more real-world evidence of the use and misuse of these new federal tax code provisions. As we know, Washington has a spending problem, not a revenue problem, and we oppose legislation that would, on net, increase the amount of revenue extracted from the American people. To that end, I would like to inquire as to your willingness to continue to reevaluate these policies as the true impact of the IRA becomes clear with additional time and analysis.

The Ways and Means Committee looks forward to working with you and the rest of our Republican Conference to ensure that hardworking Americans and small businesses are protected from the policies of the last two years and have the opportunity to build prosperity under the new Republican House of Representatives Majority.

Sincerely,



Jason Smith
Chairman
Committee on Ways and Means