

Tax Insights | August 18, 2022
**Tracking Tax News,
You Need to Know**



President Biden Signs Landmark Tax, Climate and Health Bill

President Biden signed the [Inflation Reduction Act](#), sending the tax, climate and health legislation into law. The bill spends approximately \$437 billion on climate and health subsidies and sets a 15% minimum tax on corporations with over \$1 billion in profits with certain exceptions. The bill also confirms the Senate reconciliation bill's 1% excise tax on stock buybacks, effective Jan. 1, 2023, and includes an extension of loan loss limitation tax breaks from the Tax Cuts and Jobs Act. The bill does not raise the \$10,000 limit on the deduction for state and local tax, or SALT, which moderates from high-tax states demanded. (See our prior coverage [here](#).)

Stock-Buyback Tax to Boost Dividends

A 1% excise tax on share buybacks, which is part of the [Inflation Reduction Act](#) signed into law this week, applies broadly to investment-grade companies that do large share buybacks. The tax would ultimately boost dividend payments and erode cash flow. Experts expect the tax would boost credit risk for certain U.S. investment-grade companies.

Partnership Profiting From Tax Credits Are Held Legitimate by Appeals Court

The U.S. Court of Appeals for the District of Columbia Circuit [found](#) an LLC a bona fide partnership, holding that partnerships that are formed to conduct activity that is made profitable through tax credits are engaging in legitimate business activity for tax purposes. The partnership, Cross Refined Coal LLC, claimed the refined-coal credit under Section 45; the IRS claimed the LLC was not a bona fide partnership for tax purposes. The Appeals Court rejected the IRS's position, reasoning that all partnership members intended to carry on a business, and pursuing after-tax profits can be a legitimate business activity for partners.



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