



Alex Hendrie
Associate Vice President – Government Relations

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To ALL MEMBERS OF THE U.S. SENATE

I am writing today on behalf of the National Association of Wholesaler-Distributors (NAW) to express opposition to H.R. 5376, the Inflation Reduction Act. This legislation, which is the latest iteration of the Build Back Better Act passed by the House of Representatives in November, raises taxes on middle-class families and businesses when inflation is at a 40-year high, and the U.S. economy is in a recession. The bill also provides billions in new funding for the IRS that will lead to the agency targeting family-owned and small businesses with audits and other enforcement activities.

NAW is the "national voice of wholesale distribution," an association comprised of employers of all sizes and national, regional, state, and local line-of-trade associations spanning the \$7.4 trillion wholesale distribution industry that employs more than 5 million workers in the United States. Approximately 35,000 enterprises with almost 150,000 places of businesses in all 50 states and the District of Columbia are affiliated with NAW.

The Inflation Reduction Act includes a new, \$313 billion corporate alternative minimum tax on "book income," provides \$80 billion in new funding for the IRS, and spends billions of dollars on healthcare and energy subsidies.

Given the fragile economy, NAW believes that now is the worst possible time to pass hundreds of billions in new taxes and spending.

The economy is in recession after the Bureau of Economic Analysis reported real gross domestic product declined by 0.9 percent in the second quarter of 2022. Inflation is also out of control – the Consumer Price Index increased by 1.3 percent in June and has increased by 9.1 percent over the past 12 months, a 40-year high. While the bill claims to reduce inflation, an analysis by the Penn Wharton Budget Model found that the bill would increase inflation through 2024 and that overall "the impact on inflation is statistically indistinguishable from zero."

This bill also raises taxes on millions of middle-class Americans, in violation of President Biden's pledge not to raise taxes on Americans earning less than \$400,000 per year. According to an analysis by the Joint Committee on Taxation (JCT), this bill will raise taxes on Americans earning less than \$200,000 by \$16.7 billion in 2023.

NAW is also concerned that the \$80 billion in new IRS funding will lead to the agency targeting small businesses that are organized as pass-throughs. Over \$45 billion of new IRS funding is dedicated to enforcement.

NATIONAL ASSOCIATION OF WHOLESALER-DISTRIBUTORS

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A significant portion of increased IRS scrutiny will likely fall on taxpayers that report pass-through business income through the Schedule C and Schedule E forms, according to JCT. Most of these filers are middle income – 80 to 90 percent of taxpayers impacted earn less than \$200,000 per year.

To be clear, taxpayers should follow the law and pay what they owe. However, this new funding will empower the IRS to audit, scrutinize, and even harass many family-owned, small businesses that are following the law and paying taxes.

Rather than increasing audits, the IRS should prioritize modernizing its IT services, addressing the backlog of tax returns, and making the agency more customer friendly.

On behalf of NAW member companies and their employees, I urge you to vote **against** H.R. 5376, and be advised that votes taken in connection with H.R. 5376 may be considered as our key votes for this Session of Congress.

Sincerely,

A handwritten signature in black ink that reads "Alex Hendrie". The signature is written in a cursive, slightly slanted style.

Alex Hendrie
Associate Vice President – Government Relations
National Association of Wholesaler-Distributors