

D.C. Cheat Sheet



Quick Updates from Your HF Team

Democrats Push “Inflation Reduction Act,” Some Pros, Cons, and TBD’s

While the House has been on recess this week, Democratic senators have been racing to pass the latest version of the “Build Back Better” agenda along party lines, this time in the form of \$485 billion in new spending for climate, energy and health care programs now named the “Inflation Reduction Act” (IRA). Using a parliamentary procedure known as “reconciliation” to bypass a GOP filibuster, Democrats must win support from all 50 members of their party, or the deal falls apart. See the below highlights:

The Good – Buried in the 725-page bill are some programs, as stand-alone measures, that could benefit the hardwood industry:

- Use of Low Carbon Materials – Creates a fund to be used by the federal government’s General Services Administration to purchase low carbon construction materials for new and reconstructed federal buildings.
- Low-Embodied Carbon Construction Materials – Creates EPA program to identify and label construction materials that have low-embodied carbon.
- Wood Stove Tax Credit - \$2,000 per unit tax credit for consumer purchases and installation of wood and pellet stoves, the latter of which operate on fuel derived from sawmill residuals. This credit is extended for 10 years.

- Wood Innovation Grants - \$100 million to provide grants under the Wood Innovation Grant program for constructing new facilities that deploy mass timber and other innovative wood products.
- Wildfire Prevention - \$1.8 billion for hazardous fuel reduction projects on federal forest lands.

The Challenging – As always, the law of unintended consequences creates uncertainty, especially in large legislation that moves too quickly to undergo a thorough vetting process. Opinions about impact vary about the following:

- Corporate Taxes - The bill would impose a minimum corporate tax of 15% on large companies reporting income of \$1 billion or more, according to Senate Democrats. Unfortunately, the scope of the corporate minimum tax remains uncertain. *It also puts business taxes, including the 2.8% surtax on small business income proposed in July, on the table for discussion.* During a meeting this morning, Sen. John Thune (R-SD) informed the Federation that Sen. Kyrsten Sinema (D-AZ), a crucial vote to pass the Democratic bill, is working to include “safeguards” for important business deductions.
- Inflation – Companies impacted by the 15% minimum tax may include industrial equipment makers and energy companies, *who could pass their increased costs onto small business consumers.*
- IRS Enforcement - The IRS would receive a substantial raise, far outpacing inflation, to the tune of \$80 billion. The agency would devote the new resources to collecting more tax revenue through audits and other enforcement measures.
- Massive Green Energy Spending - The bill allocates \$385 billion for climate and energy programs. This could have unforeseen impacts on markets for wood products and other manufactured goods, making cost and savings estimates difficult to predict at this time.

The Devil in the Details: There are also programs that can go either way, depending on how federal policymakers write the rules to implement them:

- Old Growth Forests – The bill allocates \$50 million for the USFS to develop tactics to protect old-growth forests on National Forest System land and complete an inventory of the same within the NFS.

- Decarbonization – The bill earmarks \$5.8 billion for the decarbonization of several industries, including pulp and paper.
- Environmental Product Declarations – EPA program to provide grants to industry for the development of environmental product declarations for construction materials.
- Grants for Forest Owners - \$50 million for a competitive grant program for states to pay private landowners for implementing forestry practices on private forest land that provide measurable increases in carbon storage beyond customary practices on comparable land.

The substance and process moving forward for the Democrats' latest plan remain fluid. The Federation will keep you posted on developments as they unfold.