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Inflation Reduction Act of 2022 to have both long- and short-term tax impacts

IRS funding, extension of marketplace price cap, energy credits are top-of-mind for tax preparers

APPLETON, Wis. (Aug. 12, 2022) – Multiple tax provisions are included in the Inflation Reduction Act (IRA) of 2022, affecting millions of taxpayers ahead of the 2023 tax filing season. Most immediate are energy credits for electric vehicles (including credits for used electric cars for the first time), an extension of the income cap on Marketplace purchased health insurance costs and extended credits for homeowners who install wind or solar projects on their residences.

Taxpayers who purchase a new electric vehicle in 2022 through 2032 will receive up to a \$7,500 tax credit on their return, and taxpayers who buy a used electric vehicle during this period will be eligible for up to a \$4,000 credit. Before the IRA, there was no credit available for used electric vehicles. The credits will be subject to certain rules and income limitations. Watch for additional information in this area.

The American Rescue Plan Act contained a provision for health insurance purchased through the Marketplace for tax years 2021 and 2022 only. The Inflation Reduction Act extends the limitation that health insurance purchased through the Marketplace should not cost more than 8.5% of a family's household income. Scheduled to expire at the end of this year, the IRA extends this provision through 2025.

Also extended last year by the American Rescue Plan were Excess Business Loss (EBL) provisions through 2025. The IRA extends the EBL rules an additional year, now through 2026.

Longer-term, the act designates \$80 billion in additional funding for the IRS over 10 years. The \$80 billion is expected to help improve the IRS's technology systems and support hiring a significant number of agents to reduce the processing backlog.

"There are a lot of tax components in this act that might not seem impactful on the surface, but long-term, this act could make significant changes to the tax preparation industry," said NATP Director of Tax Content and Government Relations Tom O'Saben. "NATP fully supports funding for the IRS that helps the Service meet its commitments to the nation's taxpayers. We look forward to hearing more about the changes that will be made to the technology platforms currently in use."

Another potential effect of the additional IRS funding is increased scrutiny from the IRS, as there could be more agents examining returns. This could mean increased IRS audits and information requests for tax preparers. Practitioners should prepare their clients now to be diligent in retaining their supporting documentation for tax items claimed. Preparation on the part of tax professionals should include additional education in the area of representation and perhaps



[earning a designation](#), which will give preparers additional rights to respond to correspondence from and represent their clients before the IRS.

Included in the \$80 billion is \$15 million for the IRS to examine the feasibility of expanding the IRS Free File system, with taxpayers being given access to data already on file with the IRS.

“This is the time to make sure you have a qualified tax preparer when it comes time to file 2022 returns, or if you are a tax professional, to make sure you have the resources you need to stay updated if more changes come,” O’Saben said. “There’s always the potential for more legislative action before you face the 2023 tax season, so we encourage practitioners to watch for updates as they become available.”

For more information about the tax implications of the Inflation Reduction Act of 2022, contact [Nancy Kasten](#) or [Samantha Strong](#).

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About NATP: The National Association of Tax Professionals (NATP) is the largest association dedicated to equipping tax professionals with the resources, connections and education they need to provide the highest level of service to their clients. 23,000 members rely on NATP to deliver professional connections, content expertise and advocacy that provides them with the support they need to best serve their clients. The NATP headquarters is located in Appleton, WI. To learn more, visit www.natptax.com.