

Even in a recession with record inflation, Josh Riley has praised a massive spending bill recently passed in Congress that would raise taxes and add 87,000 new IRS agents who could audit middle-class taxpayers.

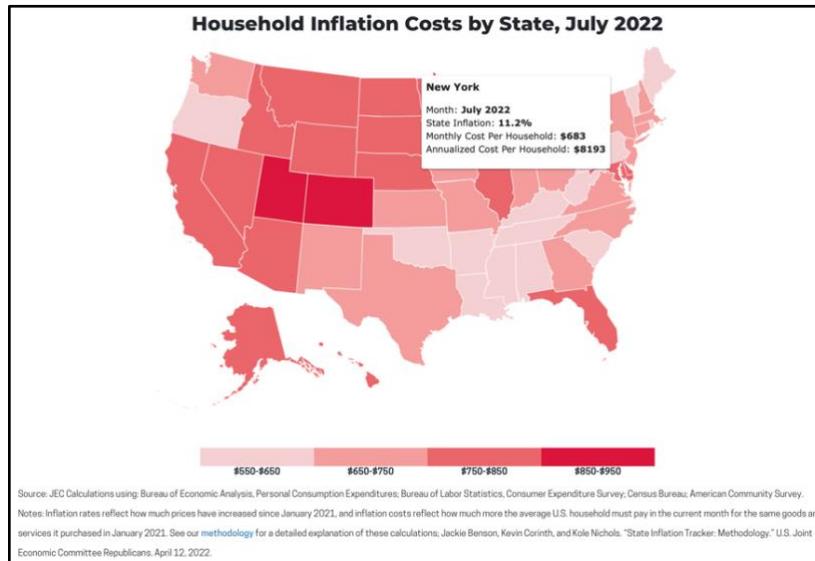
BACKUP:

As of late August 2022, “the majority of registered voters believe the economy has already entered a recession,” and the US economy had experienced two consecutive quarters of negative GDP which meets one common definition of a recession:

- **As of late August 2022, “the majority of registered voters believe the economy has already entered a recession,” and “the economy recently entered into a technical recession.”** “The majority of registered voters believe the economy has already entered into a recession and that the Inflation Reduction Act will do little to nothing to combat inflation, according to a new poll. According to an NBC News poll released Sunday, 68% of individuals believe the economy is currently in a recession while only 27% believe it is not. The economy recently entered into a technical recession after the gross domestic product (GDP) contracted for a second consecutive quarter from April-June.” (Aubrie Spady, “Most voters believe US economy is currently in recession, according to new poll,” [Fox News](#), 8/22/22)
- **After the US economy shrank in Q2 2022, it entered a technical recession.** “The U.S. economy shrank in the spring for the second consecutive quarter, meeting the criteria for a so-called technical recession, as raging inflation and higher interest rates forced consumers and businesses to pull back on spending.” (Megan Henney, “US economy enters technical recession after growth tumbles 9.9% in the second quarter,” [Fox Business](#), 7/28/22)
- **As of August 2022, the US economy had experienced two consecutive quarters of negative GDP which meets one common definition of a recession.** “For the first time since 2009, the U.S. gross domestic product was negative for two quarters in a row. After dropping 1.6% during the first quarter of 2022, the GDP fell another 0.9% in the second quarter, according to the Bureau of Economic Analysis. Though the U.S. has met one common definition of a recession – two consecutive quarters of negative GDP growth – in some ways, the current economy doesn't mirror that of previous recessions and a formal recession has not yet been declared.” (Maryalene LaPonsie and Emma Kerr, “Here’s What 2 Quarters of Negative GDP Mean for You,” [US News & World Report](#), 8/1/22)

In July 2022, state level inflation in New York reached as high as 11.2%, costing New York families an extra \$683 per month and an extra \$8,193 per year:

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(State Inflation Tracker: July 2022, [United States Congress Joint Economic Committee](#), 8/10/22)

Inflation in the United States has reached its highest point in four decades:

***Editor's Note:** To see most recent inflation numbers, please see the U.S. Bureau of Labor Statistics monthly [data](#).*

- **HEADLINE: “Inflation hit 9.1% in June, highest rate in more than 40 years,”** (Irina Ivanova, “Inflation hit 9.1% in June, highest rate in more than 40 years,” [CBS News](#), 7/13/22)
- **HEADLINE: “U.S. inflation reached a new 40-year high in June of 9.1 percent,”** (Associated Press, “U.S. inflation reached a new 40-year high in June of 9.1 percent,” [Politico](#), 7/13/22)
- **Inflation “soared 9.1 percent” in June 2022, “the biggest 12-month increase since 1981.”** “Consumer prices soared 9.1 percent compared with a year earlier, the government said Wednesday, the biggest 12-month increase since 1981, and up from an 8.6 percent jump in May. On a monthly basis, prices rose 1.3 percent from May to June, another substantial increase, after prices had jumped 1 percent from April to May.” (Associated Press, “U.S. inflation reached a new 40-year high in June of 9.1 percent,” [Politico](#), 7/13/22)
- **HEADLINE: “Inflation Spiked 9.1% In June—Hitting New 40-Year High As Price Surge Fuels Recession Fears,”** (Jonathan Ponciano, “Inflation Spiked 9.1% In June—Hitting New 40-Year High As Price Surge Fuels Recession Fears,” [Forbes](#), 7/13/22)
- **Inflation in June 2022 rose 9.1% “hitting a worse-than-expected 40-year high after an unprecedented surge in gas prices.”** “As rapid inflation fuels growing recession fears, new data showed consumer prices rose 9.1% in the 12 months ending in June, hitting a worse-than-expected 40-year high after an unprecedented surge in gas prices.” (Jonathan Ponciano, “Inflation Spiked 9.1% In June—Hitting New 40-Year High As Price Surge Fuels Recession Fears,” [Forbes](#), 7/13/22)
- **In the past year inflation in America has reached 13-, 30-, 39- and 40- year highs.**

<u>US Inflation by Month since January 2021</u>
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<u>Year</u>	<u>Month</u>	<u>Inflation Rate</u>	<u>Significance</u>
2022	August	8.3%	Ties Previous 40-year high
2022	July	8.5%	Ties Previous 40-year high
2022	June	9.1%	40-year high
2022	May	8.6%	40-year high
2022	April	8.3%	Ties Previous 40-year high
2022	March	8.5%	40-year high
2022	February	7.9%	40-year high
2022	January	7.5%	40-year high
2021	December	7%	40-year high
2021	November	6.8%	39-year high
2021	October	6.2%	30-year high
2021	September	5.4%	13-year high
2021	August	5.3%	Ties Previous 13-year high
2021	July	5.4%	13-year high
2021	June	5.4%	13-year high
2021	May	5%	13-year high
2021	April	4.2%	13-year high
2021	March	2.6%	N/A
2021	February	1.7%	N/A
2021	January	1.4%	N/A
(Consumer Price Index - June 2022, US Dept of Labor Bureau of Labor Statistics , 7/18/22)			

Inflation in the United States has reached its highest levels in 40 years and Americans are experiencing financial hardship as a result of increased prices:

- Per the US Department of Labor, inflation in America has reached its highest levels in nearly 40 years.** “Inflation soared 7% in 2021, the biggest increase in nearly 40 years, the Labor Department said on Wednesday. The Consumer Price Index, which tracks the price of a broad range of goods and services, increased 7% from the year before in December, although its rate of month-to-month increases slowed from previous months. Core inflation, which strips out volatile food and gas prices, rose 5.5% from a year ago.” (Irina Ivanova, “Inflation jumped 7% last year, biggest gain since 1982,” [CBS News](#), 1/12/22)
- Nearly half of American families say that inflation is causing them some form of hardship.** “Inflation is inflicting financial pain on millions of U.S. households, with almost half reporting that higher prices are causing some form of hardship, according to a new survey from Gallup. The study found that 45% of American families said they experienced either severe or moderate hardship due to inflation. Lower-income households were more likely to say that rising prices are causing financial pain, with 7 in 10 families with annual income of less than \$40,000 saying they are experiencing hardship. By comparison, roughly a third of families earning more than \$100,000 said the same.” (Aimee Picchi, “Inflation causing hardship for almost half of American households,” [CBS News](#), 12/2/21)

- **Inflation is “catching many Americans by surprise” as “soaring prices erode their savings and prompt major sticker shock.”** “The sneaky sting of inflation is catching many Americans by surprise as soaring prices erode their savings and prompt major sticker shock at the supermarket, gas pump and seemingly everywhere they look.” (Catherine Thorbecke, “How sky-high inflation is evaporating Americans’ savings, imposing ‘cruellest tax’ on the poor,” [ABC News](#), 1/15/22)
- **As of December 2021, 30% of Americans listed “rising prices and household bills as their biggest concern” which is nearly double the amount from July 2021 and triple the amount from August 2020.** “Rapidly rising prices have become a major new wellspring of anxiety for American families. Some 3 in 10 Americans said everyday bills (15%) or inflation specifically (14%) was the single biggest concern facing their family right now, according to a Monmouth University poll released last month. This is nearly double the 16% of Americans naming rising prices or household bills as their biggest concern last July, and more than triple the 8% who named household bills as their top concern in August 2020.” (Catherine Thorbecke, “How sky-high inflation is evaporating Americans’ savings, imposing ‘cruellest tax’ on the poor,” [ABC News](#), 1/15/22)
- **In December 2021 over a quarter of Americans stated they “believe their financial situation will get worse in 2022” with 70% of those respondents citing “inflation as the biggest barrier to better money circumstances.** “Many Americans aren’t feeling optimistic about their money next year. Fully 26% believe their financial situation will get worse in 2022 and 42% believe it will stay about the same, a survey from Bankrate found. The financial website, through YouGov Plc, polled 2,450 adults Nov. 29-Dec. 1. Respondents lay the blame mostly on inflation: 70% of those who expect a worsening of their finances cite inflation as the biggest barrier to better money circumstances, and 44% of those who believe their financial situation will stay the same agreed.” (Michelle Fox, “A quarter of Americans expect their financial situation to be worse in 2022. Here’s why,” [CNBC](#), 12/21/21)
- **A December 2021 poll found that most Americans say, “the sharply higher prices for goods and services in recent months have had at least a minor effect on their financial lives.”** “Two-thirds say their household costs have risen since the pandemic, compared with only about a quarter who say their incomes have increased, according to a poll by The Associated Press-NORC Center for Public Affairs Research. Half say their incomes have stayed the same. Roughly a quarter report that their incomes have dropped. The fast-rising prices that have been surging through the economy have forced many Americans to change their spending habits. About one-third say, for example, that they’re driving less often, and roughly 3 in 10 Americans say they’re buying less meat than they usually do. In the past year, gas prices have jumped nearly 50 percent, and the cost of meat is up 15 percent. Most people say the sharply higher prices for goods and services in recent months have had at least a minor effect on their financial lives, including about 4 in 10 who say the hit has been substantial. The poll confirms that the burden has been especially hard on low-income households.” (“Americans are focused on inflation as incomes go up, AP-NORC poll finds,” [PBS News Hour](#), 12/9/21)

Josh Riley has praised Inflation Reduction Act as including “critically important” provisions and as “something I’m very strongly in favor of”:

- **VIDEO:** Riley has praised Inflation Reduction Act as including “critically important” provisions and as “something I’m very strongly in favor of.” “The Inflation Reduction Act includes about \$370 billion investment in fighting climate change. This is critically

important. I have a two-year-old son and I think about every day whether we're going to leave him in a functioning democracy and whether we're going to leave him in a habitable planet and those investments coming to Upstate New York, places like Imperium 3 just down the street, places like Ubiquity Solar. We in Upstate New York should be on the forefront of innovation and industry when it comes to saving the planet from climate change. Those are good jobs, good wages in our community and that is something I'm very strongly in favor of." (WSKG Public Media, "NY19 Democratic Candidates," [YouTube](#), 8/12/22)

In August 2022, the Inflation Reduction Act was signed into law by President Biden:

- **In August 2022, the US House of Representatives voted to concur with a Senate amendment and pass H.R. 5376, the Inflation Reduction Act.** (H.R. 5376, [Roll Call #420](#), Passed 220-207: R 0-207, D 220-0, 8/12/22)
- **President Biden signed the \$750 billion Inflation Reduction Act into law.** "President Joe Biden signed a sweeping \$750 billion health care, tax and climate bill into law at the White House on Tuesday - marking a major victory for his administration and the Democratic Party ahead of the midterm elections. Biden said during a signing ceremony in the State Dining Room that the legislation, called the Inflation Reduction Act, is 'one of the most significant laws in our history.'" (Maegan Vazquez and Donald Judd, "Biden signs Inflation Reduction Act into law," [CNN](#), 8/16/22)

The Inflation Reduction Act could generate nearly \$10.6 billion in tax revenues from earners making as much as \$200,000 and generate more than \$8 billion in tax revenues from earners making between \$200,000 and \$500,000, excluding the effect of Affordable Care Act subsidies:

- According to the Congressional Joint Committee on Taxation, the Inflation Reduction Act could generate nearly \$10.6 billion in tax revenues from earners making as much as \$200,000 and generate more than \$8 billion in tax revenues from earners making between \$200,000 and \$500,000, excluding the effect of Affordable Care Act subsidies.

Income Category	Change in Federal Taxes (in Millions)
Less than \$10,000	\$88
\$10,000 to \$20,000	\$83
\$20,000 to \$30,000	\$155
\$30,000 to \$40,000	\$259
\$40,000 to \$50,000	\$351
\$50,000 to \$75,000	\$1,222
\$75,000 to \$100,000	\$1,577
\$100,000 to \$200,000	\$6,833
Subtotal:	\$10,568
\$200,000 to \$500,000	\$8,741
Total:	\$19,309

(Joint Committee on Taxation, "Distributional Effects Of Selected Provisions From Subtitle A And Subtitle D Of Title I - Committee On Finance Of An Amendment In The Nature Of A Substitute To H.R. 5376," [House Budget Committee Republicans](#), 8/10/22)

Editor's Note: According to the U.S. Census Bureau, the median household income in the U.S. was \$67,521 in 2020.

The Inflation Reduction Act, which would reinstate and increase a long-lapsed tax on crude oil and imported petroleum products and impose a first-time fee on methane emissions, which could contribute to higher bills for natural gas customers, including families and small businesses:

- **The Inflation Reduction Act will reinstate and increase a long-lapsed tax on crude and imported petroleum products to 16.4 cents per barrel, which would be paid by US refineries receiving crude oil and importers of petroleum products.** “The climate and tax spending deal announced last week by Senate Majority Leader Chuck Schumer and Senator Joe Manchin could cost billions in new taxes. The legislation, which may get a Senate vote as soon as this week, would reinstate and increase a long-lapsed tax on crude and imported petroleum products to 16.4 cents per barrel, according to a summary of the plan released Sunday by the Senate’s tax-writing committee. The fee would be paid by US refineries receiving crude oil and importers of petroleum products, according to the Congressional Research Service, which said proponents of the taxes believe they reflect a ‘polluter pays’ mentality.” (Ari Natter, “Manchin Spending Deal Includes Billions in Oil Import Taxes,” [Bloomberg](#), 7/31/22)
- **The Inflation Reduction Act will impose costs on the oil and gas industry, including a first-time fee on methane emissions and increases in the royalty rate payable on oil and gas produced on federal land.** “The 725-page spending bill, which includes some \$370 billion in spending to help fight climate change, would also impose other costs on the oil and gas industry, including a first-time fee on methane emissions and increases in the royalty rate payable on oil and gas produced on federal land.” (Ari Natter, “Manchin Spending Deal Includes Billions in Oil Import Taxes,” [Bloomberg](#), 7/31/22)
 - **In 2021, the American Gas Association warned that a methane fee would likely contribute to higher bills for natural gas customers, including families and small businesses.** “New fees or taxes on energy companies will raise costs for customers, creating a burden that will fall most heavily on lower-income Americans. While we appreciate that the details of the methane fee proposal are still under development, based on similar proposals introduced earlier this Congress, we estimate that the fee could amount to tens of billions of dollars annually. These major new costs most likely will result in higher bills for natural gas customers, including families, small businesses, and power generators. In one scenario, we estimate that such a fee could result in the average customer seeing an approximate increase of 17% in their natural gas bill, or over \$100 per year for the average American family. 2 We also estimate that the proposal could put more than 100,000 American jobs at risk.” (Letter, [American Gas Association](#), 9/7/21)
- **According to Americans for Tax Reform, the Inflation Reduction Act would impose a regressive tax on American oil and gas development that will drive up the cost of household energy bills in violation of Biden’s pledge not to raise taxes on anyone making less than \$400,000 a year.** “The bill imposes a regressive tax on American oil and gas development. The tax will drive up the cost of household energy bills. The Congressional Budget Office estimates the natural gas tax will increase taxes by \$6.5 billion. The tax hike violates President Biden’s tax pledge to any American making less than \$400,000 per year. Biden administration officials have repeatedly admitted taxes that raise consumer energy

prices are in violation of President Biden's \$400,000 tax pledge." (Mike Palicz, "\$6.5 Billion Natural Gas Tax Which Will Increase Household Energy Bills," [Americans For Tax Reform](#), 8/7/22)

The Inflation Reduction Act would expand IRS enforcement funding by roughly \$80 billion over the next decade, which could be used to hire as many as 87,000 new agents, which would make the IRS larger than the Pentagon, the State Department, the FBI, and Border Patrol combined:

- **The Inflation Reduction Act would expand IRS enforcement funding by roughly \$80 billion over 10 years.** (Alex Durante, Cody Kallen, Huaqun LI, William McBride, and Garrett Watson, "Details & Analysis of the Senate Inflation Reduction Act Tax Provisions," [Tax Foundation](#), 8/2/22)

Significant Tax Proposals Not Modeled

- Expands IRS enforcement funding by about \$80 billion over 10 years

(Alex Durante, Cody Kallen, Huaqun LI, William McBride, and Garrett Watson, "Details & Analysis of the Senate Inflation Reduction Act Tax Provisions," [Tax Foundation](#), 8/2/22)

- **Under the Inflation Reduction Act, the IRS would receive \$80 billion in funding to hire as many as 87,000 additional employees, which would more than double the size of the IRS workforce.** "If Democrats have their way, one of the most detested federal agencies—the Internal Revenue Service—will employ more bureaucrats than the Pentagon, State Department, FBI, and Border Patrol combined. Under the Inflation Reduction Act negotiated by Sen. Joe Manchin (D., W.Va.), the agency would receive \$80 billion in funding to hire as many as 87,000 additional employees. The increase would more than double the size of the IRS workforce, which currently has 78,661 full-time staffers, according to federal data." (Joseph Simonson, "Dems Poised To Make IRS Larger Than Pentagon, State Department, FBI, and Border Patrol Combined," [Washington Free Beacon](#), 8/6/22)
 - **HEADLINE: "Dems Poised To Make IRS Larger Than Pentagon, State Department, FBI, and Border Patrol Combined"** (Joseph Simonson, "Dems Poised To Make IRS Larger Than Pentagon, State Department, FBI, and Border Patrol Combined," [Washington Free Beacon](#), 8/6/22)
- **With 87,000 new agents, the IRS would employ more bureaucrats than the Pentagon, State Department, FBI, and Border Patrol combined.** "If Democrats have their way, one of the most detested federal agencies—the Internal Revenue Service—will employ more bureaucrats than the Pentagon, State Department, FBI, and Border Patrol combined." (Joseph Simonson, "Dems Poised To Make IRS Larger Than Pentagon, State Department, FBI, and Border Patrol Combined," [Washington Free Beacon](#), 8/6/22)
 - **The Pentagon houses roughly 27,000 employees, the State Department employs just over 77,243, the FBI employs approximately 35,000 people, and Customs and Border Protection says it employs 19,536 Border Patrol agents.** "That would make the IRS one of the largest federal agencies. The Pentagon houses roughly 27,000 employees, according to the Defense Department, while a human resources fact sheet says the State Department employs just over 77,243 staff. The FBI employs approximately 35,000 people, according to the agency's website, and Customs and Border Protection says it employs 19,536 Border Patrol agents." (Joseph Simonson, "Dems Poised To Make IRS Larger Than Pentagon, State Department, FBI, and Border Patrol Combined," [Washington Free Beacon](#), 8/6/22)

Hiring up to 87,000 new IRS agents could increase audits on the middle- and working class:

Editor's Note: Per a Heritage Foundation [analysis](#), the CBO [estimates](#) that the Inflation Reduction Act would generate \$35.3 billion in new IRS enforcement revenues.

- **Increasing audit rates 30-fold for taxpayers making over \$400,000 including 100% audit rates on taxpayers with incomes over \$10 million would “still fall more than 20% short of raising the estimated \$35.3 billion in new revenues by 2031.** “Even increasing recent audit rates 30-fold for taxpayers making over \$400,000—including 100% audit rates on taxpayers with incomes over \$10 million—still would fall more than 20% short of raising the estimated \$35.3 billion in new revenues in 2031. Note: This assumes a 98% increase in the number of tax filers making over \$400,000 between 2019 and 2031, based on annual growth rates between 2014 and 2019. Audit rates from 2010 to 2019 by income group and additional tax per individual tax return audited for 2021 is available here from the nonpartisan Government Accountability Office. Estimated revenues from a 30-fold increase in audits almost certainly is overstated, since 30% to 40% percent of audits in these income groups result in no additional tax being owed, and audits already target returns with higher likelihoods of underpayments.” (Rachel Greszler, “Fact-Checking Team Biden on Who Those 87,000 New IRS Agents Would Audit,” [Heritage Foundation](#), 8/12/22)
- **Per Treasury Department estimates, “Auditing every single taxpayer with annual income over \$1 million would require only 25,000 new IRS enforcement agents, but Democrats’ bill calls for 87,000 new agents.”** “Auditing every single taxpayer with annual income over \$1 million would require only 25,000 new IRS enforcement agents, but Democrats’ bill calls for 87,000 new agents. What will all those extra agents be doing? Note: Estimates are based on the Treasury Department’s estimated new full-time-equivalent agents, and the Government Accountability Office’s estimated hours per audit by individual income level.” (Rachel Greszler, “Fact-Checking Team Biden on Who Those 87,000 New IRS Agents Would Audit,” [Heritage Foundation](#), 8/12/22)
- **Per a 2021 Government Accountability Office report, “from fiscal years 2010 to 2021, the majority of the additional taxes IRS recommended from audits came from taxpayers with incomes below \$200,000” and “audits of lower-income tax returns produc[e] more bang for the buck.”** “According to a 2021 report from the Government Accountability Office, ‘From fiscal years 2010 to 2021, the majority of the additional taxes IRS recommended from audits came from taxpayers with incomes below \$200,000.’ That recommendation is based on audits of lower-income tax returns producing more bang for the buck, as the report noted: Audits of the lowest-income taxpayers, particularly those claiming the EITC [earned income tax credit], resulted in higher amounts of recommended additional tax per audit hour compared to all income groups except for the highest-income taxpayers.” (Rachel Greszler, “Fact-Checking Team Biden on Who Those 87,000 New IRS Agents Would Audit,” [Heritage Foundation](#), 8/12/22)
 - **“The latest census numbers indicate what income ranges constitute the middle class (as of 2020). This will depend on family size. For a single individual, a middle-class income ranges from \$30,000 - \$90,000 per year. For a couple it starts at \$42,430 up to \$127,300; for a family of three, \$60,000 - \$180,000; and four \$67,100 - \$201,270.”** (Jake Frankenfield, “What Is Middle Class Income? The Latest Numbers Available,” [Investopedia](#), 7/14/22)

Middle-Class Income Ranges					
Household Size:	Single	Two	Three	Four	Five
Income Range	\$30,000 - \$90,000	\$42,430 - \$127,300	\$60,000 - \$180,000	\$67,100 - \$201,270	\$76,000 - \$210,000
Median Income	\$33,350	\$72,250	\$84,000	\$97,650	\$91,000

Source: Pew Research Center & U.S. Census Bureau (2020)

(Jake Frankenfield, "What Is Middle Class Income? The Latest Numbers Available," [Investopedia](#), 7/14/22)

- Per a Treasury Department report, **“the five counties with the highest audit rates are predominantly African-American, rural counties in the South.”** “The Treasury Department’s report on the proposed new funding includes a footnote highlighting the already-high prevalence of IRS audits among low-income households: ‘Work by former IRS economist Kim Bloomquist points out that the five counties with the highest audit rates are predominantly African-American, rural counties in the South,’ the report says. High rates of return from auditing low-income households alongside the average large corporate tax filing totaling nearly 6,000 pages says that our current tax code is far too complex.”
 (Rachel Greszler, “Fact-Checking Team Biden on Who Those 87,000 New IRS Agents Would Audit,” [Heritage Foundation](#), 8/12/22)