for debate only until 1:30 p.m., with Senators permitted to speak therein for up to 10 minutes each; further, that the order with respect to Treaty Document 117–3 be modified to reflect the following, with all previous provisions remaining in effect: Sullivan amendment No. 5192 and Paul amendment No. 5191.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WHITEHOUSE. For the information of the Senate, there will be up to three rollcall votes at approximately 4:30 p.m. in relation to the NATO treaty.

ORDER FOR ADJOURNMENT

Mr. WHITEHOUSE. Madam President, if there is no further business to come before the Senate, I ask unanimous consent that it stand adjourned under the previous order, following the remarks of Senator PORTMAN.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Ohio.

INFLATION REDUCTION ACT OF 2022

Mr. PORTMAN. Madam President, I come to the floor this evening to talk about the Democrats' latest reconciliation proposal. This is the tax-and-spend legislation you have probably heard about. It is called the Inflation Reduction Act, but don't be fooled by the name. It doesn't actually decrease the inflationary pressure we all feel at the gas pump, at the grocery store, clothes shopping. It actually makes it worse.

Sadly, we have been down this road before. Early last year, the Democrats passed a massive $1.9 trillion package that was supposedly focused on COVID, but most of it had nothing to with COVID but provided a lot of stimulus. It was the largest spending package ever in the history of Congress, and, at the time it passed, a lot of us said: Wow, the economy coming out of that first stage of COVID is already picking up steam.

In fact, the nonpartisan Congressional Budget Office was telling us that, by midyear last year, we would be back to where we were prepandemic—pretty strong economic growth—and yet the Democrats were insisting on another $1.9 trillion, almost $2 trillion, of spending.

Remember, we had just passed a $900 billion spending bill to help with COVID, which was bipartisan, by the way. I was part of putting that together. And so when it came to this new one, we said: Whoa, don't do this. It is going to overheat the economy, overstimulate the economy—particularly because inflation is about demand mismatching supply.

And this is exactly what was happening. You had demand growing and supply constricted, partly because of COVID, partly because of policy decisions that were being made.

So we warned that this much stimulus in the economy was going to lead to inflation, and very sadly, we were right.

By the way, it wasn't just Republicans who said that. Some prominent Democrat officials said that, including some who had been senior economic advisers in the Obama administration, in the Clinton administration, including Larry Summers, who was quite prescient when he said: Gosh, we shouldn't do this because this is going to heat up the economy and cause a lot of inflation.

Democrats didn't pay any attention to those concerns then. They went ahead and passed that legislation. Remember, today, we are looking at inflation that is the highest it has been in 40 years, and here we are today about to do some of the same exact things: more spending, more taxes.

It is $700 billion more in spending and about $326 billion in taxes—new taxes on the economy.

It will not reduce inflation. In fact, the nonpartisan Penn Wharton Budget Model predicts it will actually increase inflation over the next 2 years and that, over time, it will be about even. But it won't decrease inflation. In fact, over the first couple of years, they say it will increase it.

And the burden of the $326 billion in the tax increases is not just going to companies. It never does. It gets passed along. In this case, it falls, of course, to workers and to consumers. According to the nonpartisan Joint Committee on Taxation that we have to rely on up here—it is a nonpartisan group that gives us the analyses of these tax bills—it will hurt Americans in nearly every income bracket.

In fact, they say more than half of the $300 million in new taxes will fall on folks making less than $400,000 a year. Why? Because, again, you are taxing a company, but the company passes that along to its workers and to its customers. And they are saying that more than half of that burden will fall on taxpayers who make less than $400,000 a year.

Why do I say that? Because that is the cutoff that President Biden has always put in place, saying that no tax increases will affect anybody who makes less than 400,000 bucks a year. This one does. Again, it is based on the Joint Committee on Taxation.

As part of these tax hikes, manufacturing is hit particularly hard. The Joint Committee says that about 50 percent of the impact of this tax increase is going to be on manufacturing businesses.

Now, this is interesting to me because we just passed a big bill. Some call it the CHIPS bill. Some call it the China bill. Some call it the Competition bill. But it was a bill to focus on what? Making our American companies more competitive, particularly our manufacturing companies. And we are spending a lot of money—hundreds of billions of dollars—to do that. And here we are turning around and saying: No. Do you know what? We are actually going to increase taxes on these manufacturing businesses.

This proposed tax is very different from the existing corporate income tax, which is based on income that these businesses actually report to the Internal Revenue Service when they file their taxes. That income has been defined by Congress over the years. It doesn't use that as the measure of income. Instead, it looks at a company's financial statements and comes up with a new definition of income called the adjusted financial statement income.

This type of financial reporting is far broader because these statements were designed for very different reasons. Taxable income that the IRS is in charge of, as opposed to financial income, is meant to raise revenue and provides in our Tax Code all kinds of tax preferences, incentives, disincentives for certain activity—like being able to deduct the cost of new equipment. That is something we want to encourage. So we allow companies to do that. Like being able to take a tax credit, let's say, for energy efficiency—we want to encourage companies to do that. So that is in the tax part as opposed to the book income part.

The financial statement income is not determined by elected representatives. In other words, Congress doesn't determine how you calculate that tax. The financial statement income is actually determined by something called the Financial Accounting Standards Board, which is a private nonprofit recognized by the U.S. Securities and Exchange Commission as the accounting standard setter for public companies.

Now, that works fine for determining accounting standards, but this change effectively puts these people in control of what the corporate tax base is, even though they are not elected Representatives. They are not even working for the government. They are a nonprofit.

Because corporate income taxes and this book minimum tax are calculated using these very different types of information, the 15-percent minimum tax, which is a book-tax minimum tax, can actually end up being larger for companies than the 21-percent income tax—again, because it calculates it differently.

It is an example of Congress avoiding its responsibility, frankly. If we think that we should charge companies more taxation, let's look at the Tax Code and let's get rid of some of these tax preferences that people think don't work. Let's change the Tax Code. Let's not come up with another way to calculate what the tax ought to be—determined, again, by accounting standards that are done by this nonprofit group called the Financial Accounting Standards Board.

Instead of examining the Tax Code we created and the deductions and credits that exist, it simply hands the reins over to this board. Most accountants and tax experts recognize this is really a dangerous path. This is why, when it was proposed last year, 264 accounting academics wrote to Congress to warn us not to do it. They warned of the dangers of politicizing this accounting board, how that would lower the quality of financial accounting. They warned that this would change company decision making to make companies less efficient because companies are now going to manage toward the financial statement, not toward the income tax.

They also warned that it would add needless and significant complexity to the Tax Code. Well, of course, you are going to calculate, now, income on two bases, with very, very different measurement and factors considered.

To their credit, actually, the American Institute of Certified Public Accountants, who actually stand to benefit from complexity, separately also wrote us just recently a letter saying: Please don't do this. This is the CPA organization in the whole country—again, people who would benefit from complexity—but they are saying this is just bad policy. Why would you determine a company's taxation based on the book income? That is not what that is for.

We should listen to these warnings, and we should also learn from history. We tried this type of tax in the form of the 1986 tax reform. We actually tried this as a country. And do you know what? It lasted 2 or 3 years, and then it was repealed. Why? Because it didn't work. The exact warnings that we just talked about ended up being true. The Assistant Secretary of Treasury for Tax Policy told the House Ways and Means Committee when it was repealed that the book tax they had then was ''having a detrimental effect on the quality of financial reporting.''

The complexity was complained about and the fact that this was not fair and was not an appropriate way to measure a company's income.

Now, more than 30 years later, Democrats seem to have forgotten history and are about to repeat the same mistake. The line you are likely to hear from some of my colleagues on this side of the aisle is that this tax is just designed to make big companies pay their fair share of taxes because it only applies to companies who have more than a billion dollars in net income. Well, that is fine. But guess who pays this tax. It is not corporations that bear the brunt of it.

In reality, taxes on corporate income, such as this new book minimum tax, falls on workers and it falls on consumers. And there are lots of workers and consumers who are connected with these companies.

Last year, there were over 200 companies listed in the Fortune 500 as having a billion dollars in profits or more, and, by the way, they employed more than 18 million Americans. You are talking about 18 million people out there who will be affected by this, and these big companies also have a lot of consumers well beyond those 18 million. So it is the millions of people who are employees and who are customers in these businesses who bear the brunt of these tax increases as they are passed down to them in the form of lower wages, lower benefits, and higher prices for goods and services—exactly the wrong thing in this inflationary spiral we are living in now where everything costs more. Why would we want to add additional costs by saying we are going to tax these companies that are going to pass it along to their workers and to the consumers with higher prices?

It doesn't matter whether you are taxing income or income on financial statements; the corporate income tax falls on these workers. Don't take my word for it. Again, the Joint Committee on Taxation just last year said that they expect about 25 percent of corporate taxes to fall on workers. This means lower wages, again, as this recession looms and as inflation hits the highest levels since 1981, 40-plus years.

By the way, we just went through our second quarter of negative economic growth. Traditionally, that means a recession. That is how we define one. The administration refuses to call it a recession.

I will just tell you, for people who live in my home State of Ohio—particularly people on fixed income, lower and middle-income workers—they are feeling it. For them, it is a recession.

In addition to the Joint Committee saying that the corporate taxes fall on workers, the Congressional Budget Office—again, a nonpartisan group up here in Congress—has said that employees and workers bear more like 70 percent—70 percent—of the burden of corporate income taxes.

There is a long list of analyses in between. In 2017, the Organization for Economic Cooperation and Development, or OECD, reviewed many of the available economic studies around the world that have been done and found that the best studies fall within this range of about 30 to 70 percent.

Let me say that again. Overwhelmingly, economic studies support the idea that workers bear between 30 and 70 percent of the corporate tax hikes.

So going after workers' wages is one heck of a strategy to bring down inflation. People are already hurting because wages are here and inflation is here. So wages haven't kept up with inflation. This will make it worse.

Germany, by the way, did an analysis of corporate taxes recently and found that the burden fell hardest on low-skilled, young, and female employees, not the highest earners.

The most important of these tax law changes is limiting what is called bonus depreciation. That is something that you would get as a company if you are in the regular income tax system but not under this new book tax calculation.

What is bonus depreciation? Well, it allows companies to deduct the costs of investments, of new equipment in the year they are made. Under the book tax, they spread that deduction over the lifetime of the investment. In both cases, they are deducting the cost of it, but whether they can do it immediately under bonus depreciation or whether they have to do it over the course of many years matters a lot for investment decisions.

Being able to deduct the cost of these investments immediately provides a big incentive for people to invest, and that is what has happened. This is not a loophole. I have heard this word: It is a loophole; we are just closing loopholes.

This is not a loophole. This is a deliberate tax policy that we have put in place to help encourage companies to invest more in equipment and plan and therefore help the workers, therefore make America more competitive, and, actually, over time, it increases the tax revenue that comes in to our coffers.

It is really important to encourage investment and economic growth but particularly important for manufacturers. That is why the Joint Committee on Taxation found that half of the burden of this new tax will fall on manufacturers because bonus depreciation is so important to them. This isn't unique to us. Every single developed country in the world offers a policy like bonus depreciation. Why? Because it works, because if they don't and other countries do, they can't compete.

The United Kingdom is far more generous than ours, for example, for purchase of equipment. Across the assets that use this sort of what is called cost recovery, we are actually well below the average in the OECD, which is the group of about 40 highly developed countries like ours. We rank 21st now out of 38 for these types of incentives. This will make us even less competitive, meaning it is going to be better for manufacturers to invest in other countries that have better incentives rather than here in the USA. We want them to invest here. Again, we just passed legislation to provide more incentives to invest here, and now we are doing just the opposite through this book tax increase.

Bonus depreciations traditionally had bipartisan support, and this sudden shift to call this bonus depreciation a loophole is a misrepresentation of what bonus depreciation does, why we have it, and how important it is for our manufacturers to compete. We expanded bonus depreciation in the 2017 Tax Cuts and Jobs Act. And then in 2018, the next year, and 2019, the next year after that, we had two of the best years ever for manufacturing investment, growing by 4.5 percent and then 5.7 percent, respectively. A lot of that growth was going on, prior to that time, overseas, particularly in China. And we brought investment back to the United States. This is why, according to the Joint Committee on Taxation, the manufacturing industry is so hit hard by this.

According to the National Association of Manufacturers, in 2023, this tax increase would shrink GDP—that is our economic growth—by about $68 billion, would result in 218,000 fewer jobs, and it would have a labor decrease of about $17 billion. This is the National Association of Manufacturers telling us this week: Please don't do this. This is going to result in a job loss to over 200,000 jobs. We want to have more manufacturing jobs, not less.

The workers hit hardest are those who work in manufacturing because this tax hike on physical assets will disproportionately hit manufacturing jobs. My home State of Ohio has a lot of manufacturing jobs. We are a big manufacturer. We are proud of that. We have a lot of factories. We like to make things. So it will particularly hit States like mine.

But, remember, it is not just wages we are talking about. No. Workers get hit at both ends. They get hit as workers—wages and benefits—but also as consumers when they get paid and when they try to spend their money. Families facing record inflation today are facing higher prices as cost of corporate taxes get passed down to the consumer. Again, I am not going on gut feeling; although, it makes sense, doesn't it? If you tax an entity, it gets passed along in terms of the cost of the goods. I am talking about what economists are saying is going to happen when we increase taxes on American businesses.

In a key study last year performed by economists at the business schools of the University of Chicago and Northwestern, they found that about 31 percent of corporate taxes fall on consumers through higher retail prices, and they warn that policymakers have been underestimating significantly how much of these taxes fall on consumers, on the people that buy these products that these companies make.

Democrats are ignoring this evidence, pushing ahead with partisan legislation, without any Republican support, that will make inflation worse; that will hurt workers; that will raise prices.

Again, it doesn't stop there.

I can talk about how corporate taxes discourage investment, both domestic and foreign, in the United States, according to economists from the World Bank and from Harvard. I can talk about how, contrary everything the Democrats claim, corporate taxes make income inequality actually worse, increasing the income of the top earners and lowering the income of the low- and middle-income workers. This is based on a 2020 study by an economist at the University of Michigan.

I can talk about the opposite side of the equation, how lowering taxes for businesses of all sizes, as we did in 2017, supports economic growth. Going into the pandemic, we had 19 straight months of wage gains of 3 percent or more. Most of that wage gain was going to lower- and middle-income workers. We had the lowest poverty rate in the history of the country. We had good things going on because you had this economic growth. You had companies paying higher wages.

In the years between the Tax Cuts and Jobs Act and the coronavirus pandemic, again, we not only saw just an end to these corporate inversions with companies going overseas, we saw jobs and investment coming back to the United States, and we kept inflation very low. That is a far cry from the estimate that was out last week from the National Association of Manufacturers, which, again, predicts that this book tax will result in a $68 billion hit to our economy with over 200,000 fewer jobs.

Prior to the pandemic, pro-growth policies led to a really strong economy with steady growth, low inflation, and real wage increases of 3 percent or higher. Instead of spending and tax hikes that are only going to add to this inflation, let's have a true Inflation Reduction Act that lowers costs to consumers by increasing supply to regulatory relief and other pro-growth policies that were working so well before the pandemic. Let's do what we know we have to do to get inflation down.

It is a mismatch between demand and supply. We can, through positive pro-growth policies, increase that supply and get inflation down and ensure that American families have a better shot at their American dream. Instead, here we go again with the Inflation Reduction Act that will actually be the ''Inflation Increase Act.''

ADJOURNMENT UNTIL TOMORROW

The PRESIDING OFFICER. Under the previous order, the Senate stands adjourned until 12 noon tomorrow.

Thereupon, the Senate, at 9:01 p.m., adjourned until Wednesday, August 3, 2022, at 12 noon.

CONFIRMATIONS

Executive nominations confirmed by the Senate August 2, 2022:

THE JUDICIARY

ELIZABETH WILSON HANES, OF VIRGINIA, TO BE UNITED STATES DISTRICT JUDGE FOR THE EASTERN DISTRICT OF VIRGINIA.

NUCLEAR REGULATORY COMMISSION

ANNIE CAPUTO, OF VIRGINIA, TO BE A MEMBER OF THE NUCLEAR REGULATORY COMMISSION FOR THE TERM OF FIVE YEARS EXPIRING JUNE 30, 2026.

BRADLEY R. CROWELL, OF NEVADA, TO BE A MEMBER OF THE NUCLEAR REGULATORY COMMISSION FOR THE TERM OF FIVE YEARS EXPIRING JUNE 30, 2027.