Here's What the Inflation Reduction Act Means for C-Stores

The bill includes provisions on corporations, climate and energy, fossil fuels and others that impact the industry.

August 09, 2022

authorizes $370 billion to reduce greenhouse gas emissions to 40% below their 2005 levels by 2030, tackles the cost of prescription drugs and lowers the deficit by about $300 billion.

Here is a summary of key provisions in the Inflation Reduction Act that have an impact on convenience and fuel retailers:

CORPORATE and HEALTH-CARE-RELATED PROVISIONS

- **15% Corporate Minimum Tax:** The bill creates a corporate Alternative Minimum tax of 15%. U.S. based corporations (other than S-corps) with at least $1 billion in income and those with a foreign parent with at least $100 million in income, will have a new tax rate of at least 15% of their financial statement income without regard to any deductions they might have been able to use to achieve a lower effective tax rate.
- **Expansion of the Net Investment Income Tax (NIIT) is NOT included:** It is worth noting that an expansion of the NIIT to include active investors in a business was not included in the legislation. The potential for such an expansion was one of the top threats to businesses in the convenience industry.
- **Stock Buyback Excise Tax:** The bill includes a 1% excise tax on the value of stock buybacks by publicly traded corporations. The overall total of the taxable amount can be reduced by the amount of new stock the impacted corporation issues during the taxable year.
- **Extension of Loss Limitations Rule on Pass-Throughs:** A late amendment by Senator Mark Warner (D-VA) extended the loss limitation rule put in place by the Tax Cuts & Jobs Act of 2017. Those rules were set to expire in 2026 but will now be pushed out for two additional years.
- **Affordable Care Act:** The bill extends subsidies for medical insurance premiums under ACA through 2025. These subsides were set to expire at the end of this year.
- **Medicare Drug Pricing Negotiation:** The bill establishes the framework under which the federal government would be able to negotiate the price of a certain set of pharmaceuticals covered by the Medicare program.

CLIMATE and ENERGY PROVISIONS

- **Clean Vehicle Tax Credits (Sections 13401, 13402 & 13403):** The bill includes a tax credit of up to $7,500 for new electric vehicles through 2032. The credit

These restrictions mean that very few vehicles on the market today would qualify for the credits by those dates. The credit only applies to cars sold for less than $55,000 or vans, SUVs or pickup trucks sold for less than $80,000. Vehicle purchasers can only qualify for the tax credit if they have a modified adjusted gross income of less than $150,000 ($300,000 for married couples filing jointly). Head of household filers making less than $225,000 can also qualify for the credits.

The bill also includes a $4,000 tax credit for the purchase of used EVs through 2032, but the income cutoffs for buyers to qualify are lower—$75,000 for an individual or $150,000 for married couples filing jointly.

In addition, the bill includes a new tax credit equal to 15%-30% for qualified commercial electric vehicles acquired after 2022 through 2032.

- **Alternative Fuel Refueling Property Tax Credit (Section 13404):** The bill extends the credit for alternative fuel vehicle refueling property placed in service after 2022 through 2032 and expands the credit for zero-emissions charging and refueling infrastructure with a base credit of 6% for expenses up to $100,000. (The original version included an additional 4%).

  It also provides an alternative bonus credit for taxpayers that meet certain prevailing-wage requirements during construction—30% for expenses up to $100,000. It limits the credit to property located in a qualifying census tract (i.e., low-income communities under the New Markets Tax Credit or non-urban areas). It also expands the list of eligible property to include electric charging stations for electric two- and three-wheel vehicles and clarifies the eligibility of bidirectional charging equipment.

- **Clean Fuels (Sections 13201, 13202, & 12203, 13704):** The bill extends the $1 per gallon biodiesel and renewable diesel blenders' tax credit to December 31, 2024. It was set to expire at the end of this year. It also extends the $0.10 per gallon small agri-biodiesel producer credit and the $0.50 per gallon excise tax credit for alternative fuel and alternative fuel mixtures through 2024. Following 2024, the credit switches to a tech-neutral version.

  The bill also repeals liquid hydrogen as an alternative fuel under the alternative fuel and alternative fuel mixture credit. In addition, the bill extends the second-generation biofuel income tax credit through 2024. The bill also creates a $1.25

- **Other Climate and Energy Incentives:** The bill includes numerous incentives and tax credits to promote energy efficiency and clean alternative energy for residential and commercial properties and manufacturing facilities. In addition, it includes incentives for clean energy, such as nuclear, clean hydrogen and solar energy and other forms of renewable energy. The bill also includes incentives for the manufacture of clean energy equipment.

FOSSIL FUEL PROVISIONS

- **Royalty Reform:** The bill increases the royalty rate for all new onshore and offshore fossil fuel leases from 12.5% to a minimum of 16.6%. The legislation also eliminates noncompetitive leasing and establishes a minimum bid on federal parcels.
- **Fossil Fuel Leasing:** The bill requires the Department of Interior to conduct oil and gas lease sales each year for a decade as a prerequisite to installing any new solar or wind energy.

OTHER AGREEMENTS

- **Permitting Reform:** As part of the budget reconciliation agreement, a commitment was made to pass comprehensive permitting reform for major infrastructure projects before the end of the fiscal year, which would be attached to a stopgap bill to keep the government running past September 30. This part of the agreement has to move separately as it would not pass the budget rule, known as the Byrd Rule. The framework of the permitting reforms include presidential designation and prioritization of permitting for at least 25 high-priority energy infrastructure projects, expand eligibility for the Federal Permitting Improvement Steering Council (FPISC) to ensure that smaller energy projects, critical minerals and mining and other key program can benefit from FPISC, modify Section 401 of the Clean Water Act which would clarify deadlines and the process, restrict access to the courts, clarify FERC jurisdiction over regulation of interstate hydrogen pipeline, storage, import and export facilities, and enhance federal government permitting authority for interstate electric transmission facilities of national interest.
- **Mountain Valley Pipeline:** As part of the agreement, a provision was included to complete the Mountain Valley Pipeline by requiring relevant agencies to take all necessary actions to permit the construction of the pipeline and give the DC Circuit jurisdiction over any further litigation

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