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DEPUTY CHIEF OF STAFF

August 1, 2022

Honorable Ron Wyden
Senate Committee on Finance
221 Senate Dirksen
Washington, D.C. 20510

Dear Chairman Wyden:

This letter provides information on how the burden of the corporate minimum financial statement income tax as contained in section 10101 of H.R. 5376, the “Inflation Reduction Act of 2022,” would fall across different industrial sectors.

Business income tax returns ask taxpayers to report the industry in which they are primarily engaged, identifying the industry by the code numbers established under the North American Industrial Classification System (“NAICS code”). This is self-reported and the Internal Revenue Service does not verify the accuracy of the classification stated by the taxpayer. The NAICS code system allows data to be aggregated at different levels of general categorization. Two-digit codes are the broadest categorization. For example, NAICS code 31 encompasses all manufacturing. As we project that only approximately 150 taxpayers annually will be subject to the proposed book minimum tax, in the accompanying table we generally report results by two-digit reporting to protect the privacy of the tax return data on which we base our analysis.

The following table shows the estimate of the share distribution of additional tax under the corporate minimum financial statement income tax imposed by the “Inflation Reduction Act of 2022.” Specifically, the table shows the percentage share of the additional tax by NAICS code during the 2022-2031 Federal fiscal year budget period.

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**Percentage Share of Minimum Tax on Adjusted Financial Statement Income
By Industrial NAICS Code**

2-Digit or 3-Digit NAICS Sector	Share of Additional Tax
31 All Manufacturing	49.7%
325 Chemical Manufacturing	16.1%
336 Transportation Equipment Manufacturing	6.9%
All Other Manufacturing	26.7%
42 Wholesale Trade	9.3%
44 Retail Trade	4.9%
51 Information	11.5%
55 Management of Companies (Holding Companies)	11.2%
All Other Industries	13.4%
Total	100.0%

NOTES: Details may not add to total due to rounding. Industries with fewer than 10 observations are included in the “All Other Industries” category.

You also asked, if data privacy permitted, us to report the share of the additional tax of a subset of manufacturing comprised of taxpayers in the following three-digit and four-digit NAICS codes:

- 313 Textiles,
- 315 Apparel,
- 316 Leather and Allied Product Manufacturing,
- 3254 Pharmaceutical and Medicine, and
- 334 Computer and Electronic Product Manufacturing.

Taxpayers in these industries would account for 24.0 percent of the share of the additional tax during the 2022-2031 Federal fiscal year budget period.

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I hope this information is useful. If I can be of further assistance, please contact me.

Sincerely,



Thomas A. Barthold

cc: Tiffany Smith