



Breaking Down the Schumer-Manchin Deal and Next Steps

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Background

On July 27, 2022, Senate Majority Leader Chuck Schumer (D-NY) and Senator Joe Manchin (D-WV) announced a deal to expand the scope of Senate Democrats' planned reconciliation bill significantly. The agreement unveiled yesterday, entitled the *Inflation Reduction Act of 2022*, includes new climate and energy investments, tax policies to ensure corporations and the ultra-wealthy pay what they owe, prescription drug pricing reform, a three-year extension of ACA premium subsidies, and more.

Below is a brief overview of Congressional Budget Office and Joint Committee on Taxation estimates regarding the revenue the bill is expected to raise, and the amount it will direct towards new investments and deficit reduction:

TOPLINE ESTIMATES:

TOTAL REVENUE RAISED	\$739 billion
<i>15% Corporate Minimum Tax</i>	<i>313 billion*</i>
<i>Prescription Drug Pricing Reform</i>	<i>288 billion**</i>
<i>IRS Tax Enforcement</i>	<i>124 billion**</i>
<i>Carried Interest Loophole</i>	<i>14 billion*</i>
TOTAL INVESTMENTS	\$433 billion
<i>Energy Security and Climate Change</i>	<i>369 billion***</i>
<i>Affordable Care Act Extension</i>	<i>64 billion**</i>
TOTAL DEFICIT REDUCTION	\$300+ billion

* = Joint Committee on Taxation estimate

** = Congressional Budget Office estimate

The Big Takeaway

The bill's text was released late yesterday evening, so policy experts are still working on their in-depth analyses. For that reason, this update will not get into the weeds

with respect to each provision. However, key players' statements and Senate Democrats' summaries of the bill's major elements are included at the end of this explainer.

There seems to be cautious optimism among stakeholders that this deal, if not perfect, will be worth supporting. While details are still being parsed, initial information points to historic climate investments, major steps towards a fairer tax system, long-awaited prescription drug reform, and more. To be sure, real work will be necessary in the weeks and months ahead to ensure issues not tackled in this bill—the care economy, paid leave, education, and others—are addressed meaningfully. Additionally, the parameters of any side deals—like the one on “permitting reform” mentioned in the Schumer-Manchin statement—remain to be seen, and some may raise further questions or concerns.

What Happens Now?

1) First, the Parliamentarian has to review the text...

Because Senate Democrats plan to advance this bill via reconciliation to avoid the filibuster, the Senate's parliamentarian must advise on whether the bill adheres to [reconciliation's strict rules](#) before it heads to the Senate floor. Senator Schumer said yesterday that the bill would be sent to the parliamentarian yesterday evening, meaning that it will likely be several days before she issues guidance on what does or doesn't pass muster. As a reminder: should the parliamentarian remove any provisions that raise revenue or save money, provisions that cost money could need to be updated accordingly.

2) All 50 Democratic senators need to be supportive and able to vote...

Senator Schumer said he plans to bring the bill to the floor next week before the scheduled August recess. However, the parliamentarian's ruling is not the only hurdle Senate Democrats need to overcome to make that happen.

All 50 Democratic senators will need to vote “yes” on this bill in order for it to pass. At the moment, multiple Democratic senators are isolating due to COVID diagnoses. Additionally, stakeholders have pointed out that Senator Sinema has previously opposed changes to the carried interest loophole, which this proposal closes. Senator Sinema has not yet indicated whether she will support the deal.

3) And we have to get through 20 hours of debate, plus vote-a-rama...

Part of reconciliation is a vote-a-rama wherein senators can offer amendment after amendment to the bill, and there's ample reason to suspect Republicans will use that opportunity to divide Democrats on issues like Title 42, the Trump-era “public health” policy that allows the government to immediately expel asylum seekers. Even once the bill has gone through the parliamentarian's review, its content is still subject to change on account of vote-a-rama. After vote-a-rama, the Senate can vote on final passage.

4) Then, the House needs to pass the bill as-is (without changes) before it can become law.

The House will need to approve whatever the Senate passes—with no changes—after which it can go to the President to be signed into law. The House is slated to head home on Friday, July 29 for August recess, but Speaker Pelosi has indicated that she will bring members back to Washington to vote on the reconciliation bill once it's ready.

House passage will require nearly every Democrat to vote “yes” in the face of unified GOP opposition. Presently, House Democrats have a four-seat majority, which is expected to shrink to three after an August 9 special election in Minnesota. At least three House Democrats had previously pledged to oppose any reconciliation bill that did not lift state-and-local tax deduction caps (better known as SALT), which this bill does not. Whether those members hold to that pledge, however, remains to be seen.

Key Statements

- [President Biden](#)
- [Leader Schumer and Senator Manchin](#)
- [Speaker Pelosi](#)

Materials on the Inflation Reduction Act of 2022 (from Senate Democratic Leadership)

- [Bill text](#)
- [One-page summary](#)
- [Tax summary](#)
- [Drug pricing summary](#)
- [Energy/climate summary](#)