

December 19, 2024

The Honorable Jason Smith
Chair, Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Smith,

We are grateful for your work thus far to extend the expiring portions of the Tax Cuts and Jobs Act of 2017 (TCJA). As part of this effort, we also encourage you to eliminate the capital gains tax on inflation.

As you are likely aware, taxpayers are forced to calculate their capital gains tax based on the nominal value of an asset at the time of sale, as compared to that nominal value at the time of purchase. The problem is that at least some of that nominal increase is often due to inflation. For example, if a taxpayer bought an asset for \$100 when President Biden was sworn into office, and sold it today for \$120, that taxpayer has seen no REAL increase in value because of more than 20% overall Bidenflation between January 2021 and today, according to the U.S. Bureau of Labor Statistics' CPI Inflation Calculator.

It is simply unfair for a taxpayer to have to pay capital gains tax on inflation, since the taxpayer receives no actual increase in value or purchasing power due to inflation. Quite the opposite. The taxpayer is already struggling to pay for everyday expenses, and then also has to pay capital gains tax on phantom gains. It is long past time for this injustice to be corrected.

While the incoming Trump-Vance Administration looks into what it could do to rectify this unfairness via regulation, we urge you to include language to eliminate the capital gains tax on inflation in the TCJA-extension bill that Congress sends to President Trump's desk in 2025. Thank you for your consideration.

Sincerely,

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Executive Vice President
Advancing American Freedom

Grover Norquist
President
Americans for Tax Reform

Christopher A. Iacovella
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American Securities Association

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