



AMERICANS FOR TAX REFORM

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NEWS

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It's Time to End the Inflation Tax on Capital Gains

Organization applauds Rep. Pence and Cantor's efforts to reduce the tax burden on Americans

Washington, DC-- Yesterday, US Reps. Pence (R-IN) and Cantor (R-VA) took significant strides toward reducing the tax burden on investments made by Americans by introducing H.R. 6057, which would eliminate the capital gains tax on inflation. Taxpayers are currently paying, in part, a tax on inflation. By indexing for inflation, this legislation will have the effect of cutting taxes for millions of Americans.

“This legislation is really about fairness,” said Grover Norquist, president of Americans for Tax Reform. **“Americans should only be taxed on real economic gains and not on gains made by inflation. This bill provides working Americans with the opportunities to invest long term.”**

According to a study by the non-partisan Tax Foundation, if an investor purchased the average S&P 500 stock in 1973 and sold that stock in June 1994, inflation eroded 65 percent of the \$77 capital gain. The investor would pay a tax of \$21.55 on an inflation-adjusted gain of \$26.77. As a result, the investor yielded 80 percent of their real gain in taxes-- leaving the investor with a paltry \$5 profit over 21 years. Clearly, this current system of taxing inflation encourages short-term investment and speculation, since the long-term investor is taxed more on inflation.

H.R. 6057 will eliminate this tax on inflation by proposing that gains or losses on the sale of an asset held by an individual taxpayer for more than three years be determined by the “gross domestic product deflator.”

“I urge the House to take action on this bill immediately,” continued Norquist. **“This type of legislation is essential to strengthening our economy and reducing the overall burden of taxation on the individual taxpayer. Taxpayers deserve to own more of their own money and this bill does just that.”**

ATR urges swift passage of this bill through the US House of Representatives.

ATR is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases. For more information or to arrange an interview, please contact John Kartch at (202) 785-0266 or at jkartch@atr.org.

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