



AMERICANS for TAX REFORM

October 28, 2016

The Honorable Tom Emmer
United States House of Representatives
503 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Emmer,

I write in support of H.R. 6246, the Retirement Inflation Protection Act of 2016, legislation that will index the capital gains tax to inflation for Americans over the age of 59.5 years. All Members of Congress should support this important, pro-taxpayer legislation.

If an investor purchases a stock for \$100, and later sells that same stock for \$400, he must report and pay taxes on a \$300 capital gain. However, some of that gain is merely due to the effects of inflation over the years. In many cases, much or all of a capital gain is merely inflation. With an historical inflation rate of 3%, inflation halves the real value of all assets every 24 years. While this is bad enough, it adds insult to injury to have to pay taxes merely on inflated gains.

The Retirement Inflation Act will fix this problem for seniors by indexing capital gains taxes to inflation for those aged 59.5 and above, the same age that you can begin withdrawing from retirement accounts. The legislation does so by multiplying the adjusted basis of the asset by the GDP deflator -- the change in inflation that took place while the asset was held.

Because the IRS does not account for differences between government-created inflationary value and the real value of a capital gain, it does not represent the true capital gains that one would receive while holding the asset.

This important piece of legislation will ensure that seniors can better be financially self-sufficient. After decades of accumulating assets, they should not be penalized on the gains from long-term investments.

In the perfect world, capital gains taxes should be adjusted for inflation for everyone. Americans who choose to invest wisely should not be punished for the profits they make. Capital gains taxes are taxes on income that has already been subject to the income tax and therefore discourages investment.

Passage of the Retirement Inflation Protection Act will ensure that the smart investments made by seniors are not eroded through inflation. All members of Congress should have no hesitation supporting and co-sponsoring this important legislation.

Onward,

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