

Congress of the United States
House of Representatives
Washington, DC 20515

March 5, 2026

The Honorable Scott Bessent
Secretary of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretary Bessent:

We write to urge you to utilize existing executive authority to remove the inflation tax on savings and investment by indexing the Department of the Treasury's calculation of capital gains tax liability to inflation.

Homeownership and long-term real estate investment remain central to achieving the American Dream for millions of families. Yet under current tax treatment, taxpayers are often required to pay capital gains taxes not only on real economic appreciation, but also on nominal gains attributable solely to inflation. This treatment is inconsistent with basic tax fairness and undermines incentives for long-term investment in housing and real property.

In 2019, a group of Senate Republicans led by Senator Ted Cruz urged the Treasury Department to use its existing authority to eliminate inflationary gains from the calculation of capital gains. They correctly noted that defining cost basis in a manner that removes the unfair inflation tax on savings would be a positive, pro-growth reform the Administration could undertake without additional legislation. We agree with that assessment.

For homeowners in particular, inflation indexing is especially important at a time when housing affordability remains a top concern for American families. Families who purchase a home or small real estate investment often hold that asset for many years or decades. Over long holding periods, a substantial share of the nominal gain may reflect inflation rather than true increases in real value. Taxing these phantom gains can discourage housing mobility, lock up housing supply, penalize long-term homeowners, and distort real estate investment decisions.

Four years of runaway inflation under President Biden have only intensified this problem. American families have already seen their purchasing power eroded, and homeowners should not face an additional tax penalty driven by inflationary pressures beyond their control. Your

Administration should not be hamstrung by the inflationary environment inherited from the Biden era. Indexing capital gains to inflation would provide immediate, targeted relief by ensuring taxpayers are taxed only on real gains, not price-level distortions.

Reducing these distortions would help improve housing market fluidity at a moment when many communities face tight inventory and elevated home prices. By lessening the tax penalty associated with selling appreciated property, inflation indexing can help free up existing housing stock, encourage reinvestment in local communities, and support a healthier, more affordable housing market for first-time buyers and growing families.

According to analysis from the nonpartisan Tax Foundation, a significant share of unrealized capital gains reflects inflation rather than real growth. Indexing capital gains to inflation would ensure taxpayers pay tax only on real income, aligning capital gains treatment with the inflation adjustments already applied elsewhere in the tax code, including individual income tax brackets.

Legal scholarship spanning decades indicates that the Treasury Department has authority to define cost basis for purposes of capital gains calculations. Utilizing this authority to exclude inflationary gains would be a straightforward administrative action grounded in fairness and sound tax policy.

American families, homeowners, and job creators should not be taxed on phantom income created solely by inflation. We therefore respectfully urge you to direct the Department of the Treasury to implement inflation indexing of capital gains as expeditiously as possible.

The Real Estate Caucus stands ready to work with your Administration to advance policies that expand homeownership, unlock housing supply, and promote long-term investment in American communities.

Sincerely,



Mark Alford
Member of Congress



Tracey Mann
Member of Congress



August Pfluger
Member of Congress



Ben Cline
Member of Congress



John J. McGuire III
Member of Congress



John Rose
Member of Congress



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