



**Today: you buy a  
house for \$100K**

**For \$250K**

**CPI = 100**

***CPI = 110***

**Sell it in the future**



**20% Tax on Capital Gains = 0.2 x \$150k = \$30K**



Capital Gain  $\equiv$  \$150K


**Real Tax = \$30K / \$136 = 0.22**

**22% tax instead of 20%**

$$\text{Real Capital Gain} = (150/110) * 100 = 136K$$

**Inflation  
increases the  
effective tax you  
pay**

**Tax on Capital Gains = 20%**



**You must pay  
the government  
\$30K in taxes**



**You earned  
only **\$136K** in  
(real) capital  
gain**

**CPI = 100**  
Today: you buy a Sell it in the future  
house for \$100K **Capital Gain = \$150K**  
**CPI = 110**

**Inflation  
increases the  
effective tax you  
pay**

**Tax on Capital Gains = 20%**

**20% Tax on Capital Gains =  $0.2 \times \$150k = \$30K$**

**Real Tax =  $\$30K / \$136 = 0.22$**

**22% tax instead of 20%**



# Inflation Costs