

“Adjusted for inflation” is a phrase you may think isn’t important. But when you see it in action, you might change your mind.

Let’s examine how “adjusted for inflation” has affected a couple of tax rules and their impact on Social Security.

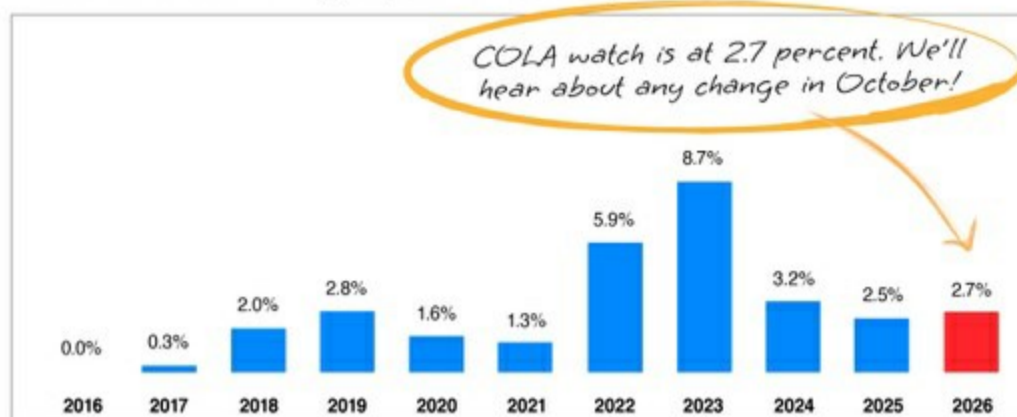
How about the \$3,000 investment loss that can be used to offset ordinary income? That rule was set in 1978. If adjusted for inflation, about \$15,000 in investment losses could be used to offset ordinary income today.

What about the home capital gains exclusion of \$500,000 for married taxpayers and \$250,000 for single taxpayers? That rule was set in 1997. If adjusted for inflation, today’s numbers would be roughly \$1,000,000 and \$500,000, respectively.

What about Social Security? Social Security benefits have been adjusted for inflation since 1975, when the average monthly payout for retirees was \$207. In 2025, the average benefit was \$1,976. Adjusted for inflation is a powerful phrase!

Social Security’s COLA

What will the cost-of-living adjustment be next year?



SeniorsLeague.org, 2025.

Forecasts are based on assumptions and are subject to revisions over time. Financial, economic, political, and regulatory issues may cause the actual results to differ from the expectations expressed in the forecast.

How about the Alternative Minimum Tax? The earliest version of AMT was first passed by Congress in 1969 after then Treasury Secretary Joseph Barr was mad that 155 high-income taxpayers didn’t pay any federal income taxes. It was not indexed for inflation.

In 2017, more than 5.2 million taxpayers were paying the “Alt-Min,” up from 155 to 5,200,000, all because it wasn’t adjusted.

So the next time you hear—or don’t hear—that phrase, pay attention. Whether something is or isn’t may have a big impact on you.

Congress.gov, 2025. "An Analysis of the Tax Treatment of Capital Losses."

Congress.gov, 2025. "The Exclusion of Capital Gains for OwnerOccupied Housing."

Nasdaq.com, 2025. "This Was the Average Social Security Benefit in 1975, and Here's What It Is Now."

TaxPolicyCenter.org, 2025. "What is the AMT?"



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