



How American Life Relies on BLS Data

Unreliable numbers could have an impact on tax payments and retirement benefits

The Bureau of Labor Statistics' data does more than capture monthly job growth and inflation pressures. It plays a crucial role in Americans' financial lives.

By Joe Pinsker, Heather Gillers and Ashlea Ebeling

The data influences how much people pay in taxes, receive in retirement benefits and even how much they earn on some investments. The consumer-price index is used to update everything from 401(k) contribution limits to pension payments to income cutoffs for Medicare costs.

President Trump's firing of the bureau head Friday has suddenly sparked worries among economists about the reliability of this data. The BLS had already raised alarms earlier this year after cutting back its data collection for the CPI.

Policy analysts say it appears unlikely at the moment that inflation data would deviate wildly from actual price changes. But under-measuring inflation would hit the pocketbooks of millions of people. Here's how:

Taxes

The tax code draws on the CPI to adjust dozens of provisions for inflation each year, including tax brackets, the standard deduction and the estate tax threshold.

The annual adjustments help make sure people only move into a higher tax bracket, with a higher accompanying tax rate, if their income increases by more than inflation.

Limits on contributions to retirement accounts, health savings accounts and healthcare flexible-spending accounts are also subject to inflation adjustments. If inflation is high, the inflation adjustments will be larger so the amount you can put in these accounts has the same value after adjusting for inflation.

If inflation is understated, and the inflation adjustments don't keep up with actual inflation, people could see their tax bills go up.

"If the administration undermines the quality of economic statistics, it would make it impossible for our tax laws to work as Congress intended," said Greg Leiserson, a senior fellow at the Tax Law Center at NYU Law.

The new deductions in the Republican tax-and-spending law for tips, overtime, seniors and car-loan interest aren't adjusted for inflation, so those deductions will essentially lose value to inflation, said Mark Luscombe, a principal analyst with Wolters Kluwer Tax & Accounting.

Retirement benefits

The nearly 75 million recipients of Social Security and Supplemental Security Income see their benefits grow over time to keep pace with inflation.

Social Security's cost-of-living adjustments are based on a lesser-used index, CPIW, short for the Consumer Price Index for Urban Wage Earners and Clerical Workers. The next adjustment will be announced in October and kick in with 2026 benefit payments.

If government statistics were to greatly underestimate inflation, "that means that seniors won't get enough of a cost-of-living increase to actually make ends meet," said Jason Fichtner, executive director of the Retirement Income Institute. Meanwhile, if inflation were greatly overestimated, the program's trust funds, already projected to face a shortfall, would get used up more quickly.

Similarly, the nation's state and local pension plans adjust pension checks to keep up with inflation. More than half of state plans tracked by the National Association of State Retirement Administrators—about 50 in total—make cost-of-living adjustments, and most rely on the CPI for all urban consumers or the CPI-W.

TIPS

Treasury inflation-protected securities, or TIPS, are five-, 10-, or 30-year Treasury bonds that pay out more when inflation rises above a certain amount. Investors often turn to them in times of heightened inflation.

The \$2.1 trillion market for TIPS is "built on a foundation of trust in the construction of the CPI data," JPMorgan Chase Economist Michael Feroli wrote in a research note.

Typical bonds pay out a set principal amount at the end of their life. With TIPS, when inflation exceeds certain stated thresholds, the government adds principal to the bond so that the end-payout rises. That end-payout has to be recalculated on a regular basis since TIPS pay twice-yearly interest on it.

The monthly indicator the Treasury Department relies on to calculate changes in the payout is the CPI for all urban consumers.

Medicare premiums

Data on inflation is used to calculate the income cutoffs for Medicare recipients where higher monthly costs apply.

If in 2023 an individual tax filer's income exceeded \$106,000 or a married couple's joint income exceeded \$212,000, they now pay an Income-Related Monthly Adjustment Amount, or Irmaa, if they get coverage under Medicare Parts B or D.

Ending up above or below one of Part B's Irmaa cutoffs currently works out to a cost difference of about \$100 a month, said Juliette Cubanski, a policy researcher at KFF, a health-policy research organization.

Food assistance

The Supplemental Nutrition Assistance Program, or SNAP, also updates its foodpurchasing benefit each year based on data from the consumer-price index. Participating households received an average of \$352 per month between October 2023 and September 2024, according to Agriculture Department data.

The USDA comes up with a basket of foods that make up sample grocery budgets it calls “thrifty,” “low-cost,” “moderate-cost” and “liberal.” SNAP is based on the “thrifty” tier, and the agency calculates annual benefit adjustments based on price changes for specific types of foods such as eggs and fresh vegetables.

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Thursday, 08/07/2025 Page .A002

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