

# Chained Consumer Price Index

Report highlights

February 2020

## Over time, inflation significantly impacts any policy that references a dollar amount. Idaho rarely adjusts for inflation.

The chained CPI is considered to be the most accurate measure of inflation. However, it has tradeoffs for policymakers and contract writers to consider.

Chained CPI	Traditional CPI
More accurate methods	Uses outdated expenditure data
Typically lower estimates	Overestimates inflation
Not final for 2 years	Final upon publication
Used in federal income tax code	Commonly used in contracts and statutes
Measured 45% inflation since 2000	Measured 53% inflation since 2000

**Accounting for inflation is more important than the difference between the traditional CPI and the chained CPI.**

Revenue from taxes assessed in fixed dollar amounts have declined as a share of statewide income in part because of inflation.

Tax	Fiscal year 1970 (%)	Fiscal year 2018 (%)
Individual income	1.53	2.46
Sales	1.65	2.38
Corporate income	0.38	0.32
<b>Motor fuels</b>	<b>1.01</b>	<b>0.48</b>
Cigarette	0.19	0.05
Beer and wine	0.08	0.01

If Idaho's tax brackets had been adjusted in 2000 using the chained CPI rather than the CPI-U:

**\$7.4 million**

in personal income tax revenue would have been assessed in tax year 2017, a 0.42% increase.



View the report:  
[www.legislature.idaho.gov/ope/](http://www.legislature.idaho.gov/ope/)