# Taxes
# capital gains

https://www.irs.gov/taxtopics/tc409

Almost everything you own and use for personal or investment purposes is a capital asset. Examples include a home, personal-use items like household furnishings, and stocks or bonds held as investments. When you sell a capital asset, the difference between the adjusted basis in the asset and the amount you realized from the sale is a capital gain or a capital loss. Generally, an asset's basis is its cost to the owner, but if you received the asset as a gift or inheritance, refer toÃ‚Â Topic No. 703 Ã‚Â for information about your basis. For information on calculating adjusted basis, refer toÃ‚Â Publication 551, Basis of Assets. You have a capital gain if you sell the asset for more than your adjusted basis. You have a capital loss if you sell the asset for less than your adjusted basis. Losses from the sale of personal-use property, such as your home or car, aren't tax deductible.

## Short-Term or Long-Term

To correctly arrive at your net capital gain or loss, capital gains and losses are classified as long-term or short-term. Generally, if you hold the asset for more than one year before you dispose of it, your capital gain or loss is long-term. If you hold it one year or less, your capital gain or loss is short-term. For exceptions to this rule, such as property acquired by gift, property acquired from a decedent, or patent property, refer toÃ‚Â Publication 544, Sales and Other Dispositions of Assets; or for commodity futures, seeÃ‚Â Publication 550, Investment Income and Expenses. To determine how long you held the asset, you generally count from the day after the day you acquired the asset up to and including the day you disposed of the asset.

If you have a net capital gain, a lower tax rate may apply to the gain than the tax rate that applies to your ordinary income. The term "net capital gain" means the amount by which your net long-term capital gain for the year is more than your net short-term capital loss for the year. The term "net long-term capital gain" means long-term capital gains reduced by long-term capital losses including any unused long-term capital loss carried over from previous years.

## Capital Gain Tax Rates

The tax rate on most net capital gain is no higher thanÃ‚Â **15%**Ã‚Â for most individuals. Some or all net capital gain may be taxed at 0% if your taxable income is less than $80,000.

A capital gain rate ofÃ‚Â **15%**Ã‚Â applies if your taxable income is $80,000 or more but less than $441,450 for single; $496,600 for married filing jointly or qualifying widow(er); $469,050 for head of household, or $248,300 for married filing separately.

However, a net capital gain tax rate ofÃ‚Â **20%**Ã‚Â applies to the extent that your


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taxable income exceeds the thresholds set for theÃ‚Â **15%**Ã‚Â capital gain rate.

There are a few other exceptions where capital gains may be taxed at rates greater thanÃ‚Â **20%**:

1. The taxable part of a gain from selling section 1202 qualified small business stock is taxed at a maximumÃ‚Â **28%**Ã‚Â rate.
2. Net capital gains from selling collectibles (such as coins or art) are taxed at a maximumÃ‚Â **28%**Ã‚Â rate.
3. The portion of any unrecaptured section 1250 gain from selling section 1250 real property is taxed at a maximumÃ‚Â **25%**Ã‚Â rate.

**Note:**Ã‚Â Net short-term capital gains are subject to taxation as ordinary income at graduated tax rates.

## Limit on the Deduction and Carryover of Losses

If your capital losses exceed your capital gains, the amount of the excess loss that you can claim to lower your income is the lesser of $3,000 ($1,500 if married filing separately) or your total net loss shown on line 21 ofÃ‚Â Schedule D (Form 1040). Claim the loss on line 6 of yourÃ‚Â Form 1040Ã‚Â orÃ‚Â Form 1040-SR. If your net capital loss is more than this limit, you can carry the loss forward to later years. You may use the Capital Loss Carryover Worksheet found inÃ‚Â Publication 550, Investment Income and ExpensesÃ‚Â or in theÃ‚Â Instructions for Schedule D (Form 1040)Ã‚Â PDFÃ‚Â to figure the amount you can carry forward.

## Where to Report

Report most sales and other capital transactions and calculate capital gain or loss onÃ‚Â Form 8949, Sales and Other Dispositions of Capital Assets, then summarize capital gains and deductible capital losses onÃ‚Â Schedule D (Form 1040), Capital Gains and Losses.

## Estimated Tax Payments

If you have a taxable capital gain, you may be required to make estimated tax payments. For additional information, refer toÃ‚Â Publication 505, Tax Withholding and Estimated Tax,Ã‚Â Estimated TaxesÃ‚Â andÃ‚Â Am I Required to Make Estimated Tax Payments?

## Net Investment Income Tax

Individuals with significant investment income may be subject to theÃ‚Â Net Investment Income TaxÃ‚Â (NIIT). For additional information on the NIIT. For additional information on the NIIT, seeÃ‚Â Topic No. 559.

## Additional Information


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Additional information on capital gains and losses is available inÃ‚Â Publication 550 Ã‚Â andÃ‚Â Publication 544, Sales and Other Dispositions of Assets. If you sell your main home, refer toÃ‚Â Topic No. 701,Ã‚Â Topic No. 703Ã‚Â andÃ‚Â Publication 523, Selling Your Home.

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