

How Capital Gains Taxes Work

CAPITAL GAINS

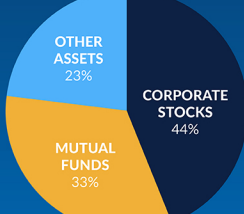
or losses happen when the market value of an asset increases or decreases after the point of purchase.

Examples of capital assets are:



Corporate Stocks
Mutual Funds
Real Estate

Stocks and mutual funds account for most of the transactions subject to the capital gains tax.



Transactions by Asset Type (% of Total Transactions)



SHORT-TERM CAPITAL GAINS

on assets held for less than a year

are taxed as ordinary income at rates up to **37%**.



LONG-TERM CAPITAL GAINS

on assets held for more than a year

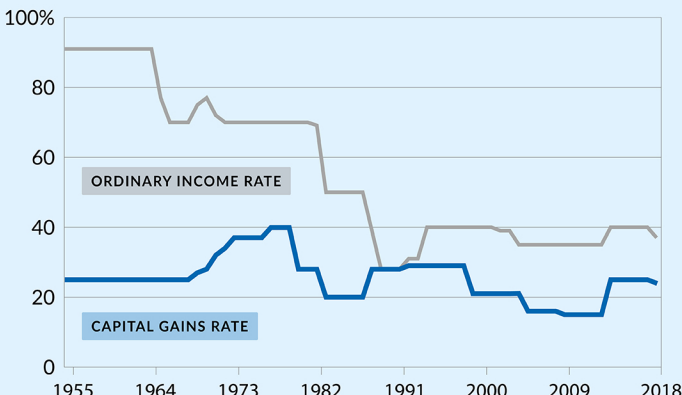
are taxed at lower rates, either **0%**, **15%**, or **20%**.

Tax-filing status	0% tax rate	15% tax rate	20% tax rate
Single	\$0 to \$48,350	\$48,351 to \$533,400	\$533,401 or more
Married, filing jointly	\$0 to \$96,700	\$96,701 to \$600,050	\$600,051 or more
Head of household	\$0 to \$64,750	\$64,751 to \$566,700	\$566,701 or more

Note: Based on Adjusted Gross Income

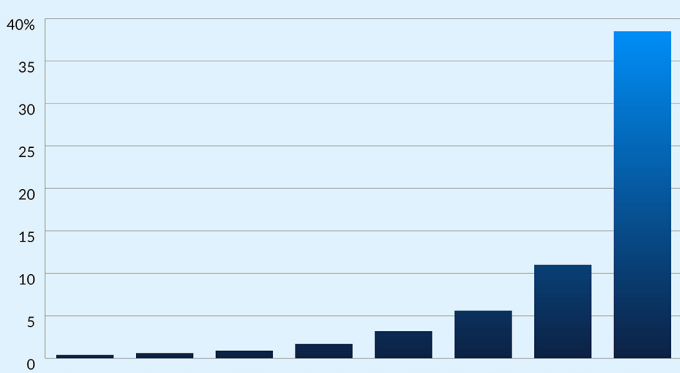
Overall, capital gains are generally **taxed at lower rates** than other forms of income. That is what's known as a **preferential rate**.

Maximum Tax Rate



High-income individuals receive a greater portion of their income from capital gains – and therefore, **they benefit disproportionately** from the preferential rate.

Capital Gains Income (% of Total Household Income) By Income Group



Preferential treatment of capital gains reduces federal tax collections by **about \$345 billion annually**, making it the **second-largest tax break** for individuals.

Major Capital Gains Income and Payroll Tax Expenditures	Budgetary Cost (2024)
Net Preferential Tax Rates on Capital Gains and Dividends	\$240 billion
Exclusion on Capital Gains on Assets Transferred After Death	\$62 billion
Exclusion of Capital Gains on Primary Residences	\$43 billion
Total	\$345 billion

Preferential rates reduce revenues to the federal government while creating market distortions. **Tax reform done right would:**



Promote economic growth



Make our fiscal outlook more sustainable



Increase the system's transparency and fairness