IRS

Topic no. 409, Capital gains and losses

Almost everything you own and use for personal or investment purposes is a capital asset. Examples of capital assets 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 to Publication 551, Basis of Assets for information about your basis. 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 to Publication 544, Sales and Other Dispositions of Assets; for commodity futures, see Publication 550, Investment Income and Expenses; or for applicable partnership interests, see Publication 541, Partnerships. 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. The term “net short-term capital loss” means the excess of short-term capital losses (including any unused short-term capital losses carried over from previous years) over short-term capital gains for the year.

Capital gains tax rates

Net capital gains are taxed at different rates depending on overall taxable income, although some or all net capital gain may be taxed at **0%**. For taxable years beginning in 2023, the tax rate on most net capital gain is no higher than **15%** for most individuals.

A capital gains rate of **0%** applies if your taxable income is less than or equal to:

- $44,625 for single and married filing separately;
- $89,250 for married filing jointly and qualifying surviving spouse; and
- $59,750 for head of household.

A capital gains rate of **15%** applies if your taxable income is:

- more than $44,625 but less than or equal to $492,300 for single;
- more than $44,625 but less than or equal to $276,900 for married filing separately;
- more than $89,250 but less than or equal to $553,850 for married filing jointly and qualifying surviving spouse; and
- more than $59,750 but less than or equal to $523,050 for head of household.

However, a capital gains rate of **20%** applies to the extent that your taxable income exceeds the thresholds set for the **15%** capital gain rate.

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

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

Note: 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 16 of Schedule D (Form 1040), Capital Gains and Losses. Claim the loss on line 7 of your Form 1040 or 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 in Publication 550 or in the Instructions for Schedule D (Form 1040) PDF to figure the amount you can carry forward.

Where to report

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

Estimated tax payments

If you have a taxable capital gain, you may be required to make estimated tax payments. For additional information, refer to Publication 505, Tax Withholding and Estimated Tax, Estimated Taxes and Am I required to make estimated tax payments?

Net investment income tax

Individuals with significant investment income may be subject to the Net Investment Income Tax (NIIT). For additional information on the NIIT, see Topic no. 559.

Additional information

Additional information on capital gains and losses is available in Publication 550 and Publication 544. If you sell your main home, refer to Topic no. 701, Topic no. 703 and Publication 523, Selling Your Home.

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