Reviews

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# 2019-2020 Capital Gains Tax Rates — and How to Calculate **Your Bill**

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**Tax Brackets** 

Tax Breaks

2019-20 Tax Brackets and Rates

2019 State Income Tax Rates

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**Capital Gains Taxes** 

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• 2019-20 Capital Gains Tax Rates

Capital Gains on Home Sales

All about long-term and short-term capital gains tax rates, including what triggers capital gains tax, how it's calculated, and 6 ways to cut your tax bill.

April 7, 2020

tax?

Investing, Investment Taxes, Taxes At NerdWallet, we strive to help you make financial decisions with confidence. To do this, many

evaluations. Our opinions are our own. Capital gains are the profits from the sale of an asset — shares of stock, a piece of land, a business — and generally are considered taxable income. How much these gains are taxes depends a lot on how long you held the asset before selling.

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In 2019 and 2020 the capital gains tax rates are either 0%, 15% or 20% for most assets held for more than a year. Capital gains tax rates on most assets held for less than a year correspond to ordinary income tax brackets (10%, 12%, 22%, 24%, 32%, 35% or 37%). ↓ Jump down to use our capital gains tax calculator

What is short-term capital gains

### tax? **Short-term capital gains tax** is a tax on profits from the sale of an asset held

equals your ordinary income tax rate — your tax bracket. (Not sure what tax bracket you're in? Review this rundown on federal tax brackets.) What is long-term capital gains

for one year or less. For the 2019 tax year, the short-term capital gains tax rate

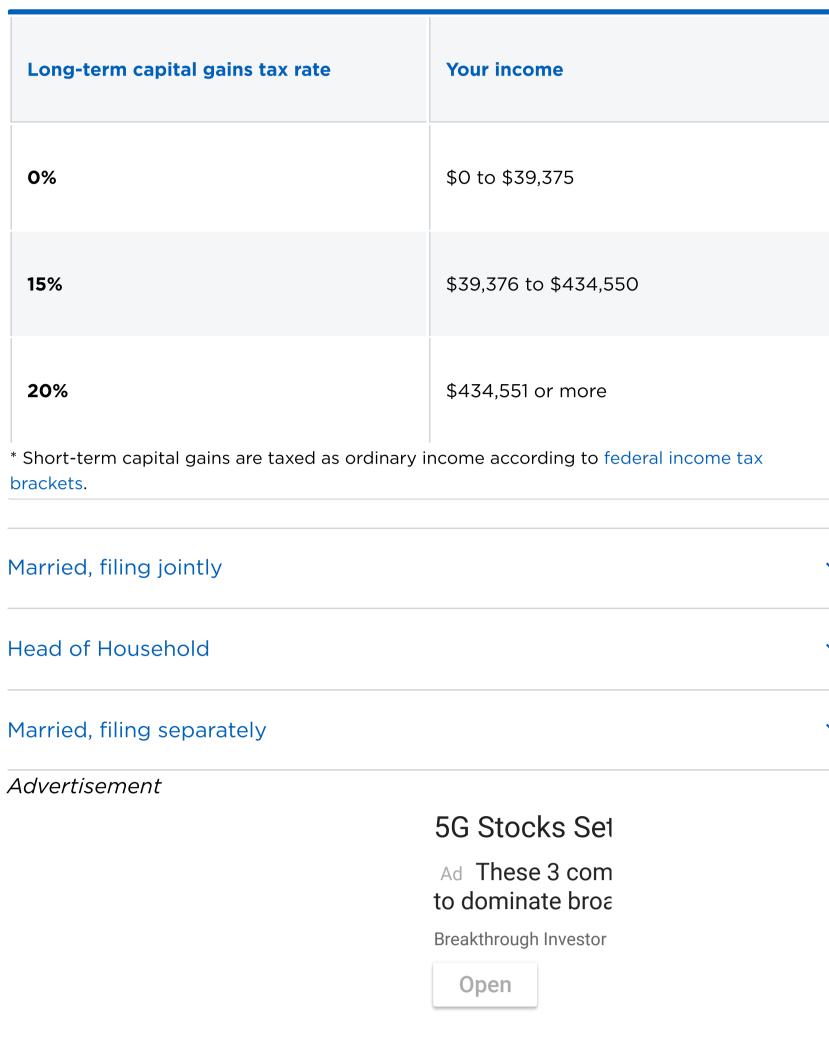
### Long-term capital gains tax is a tax on profits from the sale of an asset held for more than a year. The long-term capital gains tax rate is 0%, 15% or 20%

depending on your taxable income and filing status. They are generally lower than short-term capital gains tax rates. Capital gains tax rules can be different for home sales. Learn more here.

2019 capital gains tax rates

## Expand the filing status that applies to you.

Single filers



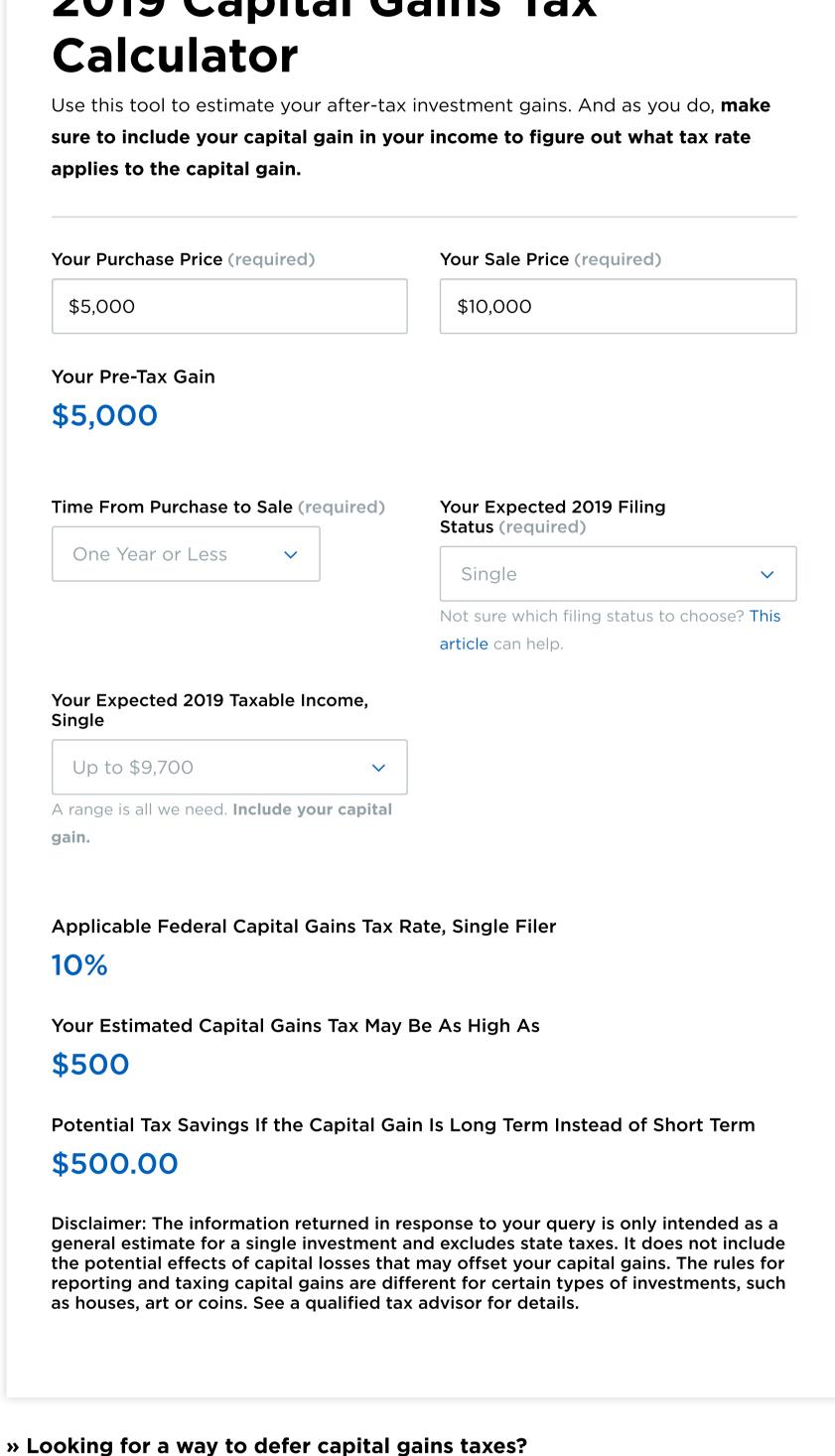
## Single filers

2020 capital gains tax rates

Married, filing jointly

Expand the filing status that applies to you.

Head of Household Married, filing separately **2019 Capital Gains Tax** Calculator Use this tool to estimate your after-tax investment gains. And as you do, make



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capital gains tax bills.

#### estate (though usually not your home), cars, boats and other tangible items. • The money you make on the sale of any of these items is your capital gain. Money you lose is a capital loss. Our capital gains tax calculator can help you

estimate your gains. • You can use investment capital losses to offset gains. For example, if you sold a stock for a \$10,000 profit this year and sold another at a \$4,000 loss,

How capital gains are calculated

• Capital gains taxes can apply on investments, such as stocks or bonds, real

your "net capital gain." If your losses exceed your gains, you can deduct the difference on your tax return, up to \$3,000 per year (\$1,500 for those married filing separately). • You include your capital gain in your income to figure out what tax rate

applies to the capital gain. Capital gains taxes are progressive, similar to

• The difference between your capital gains and your capital losses is called

Watch out for two things

1. Rule exceptions. The capital gains tax rates in the tables above apply to

#### most assets, but there are some noteworthy exceptions. Long-term capital gains on so-called "collectible assets" are generally taxed at 28%; these are things like coins, precious metals, antiques and fine art. Short-term gains on such assets are taxed at the ordinary income tax rate.

you'll be taxed on capital gains of \$6,000.

2. The net investment income tax. Some investors may owe an additional 3.8% that applies to whichever is smaller: your net investment income or the amount by which your modified adjusted gross income exceeds the amounts listed below.

Here are the income thresholds that might make investors subject to this additional tax: Single or head of household: \$200,000

Married, filing separately: \$125,000

How to minimize capital gains

Married, filing jointly: \$250,000

taxes **HOLD ON** 

#### long-term capital gains tax rate, since it's significantly lower than the shortterm capital gains rate for most assets. Our capital gains tax calculator shows how much that could save. **EXCLUDE HOME SALES**

To qualify, you must have owned your home and used it as your main residence for at least two years in the five-year period before you sell it. You also must not have excluded another home from capital gains in the two-year period before the home sale. If you meet those rules, you can exclude up to \$250,000 in gains from a home sale if you're single and up to \$500,000 if you're married

Whenever possible, hold an asset for a year or longer so you can qualify for the

### filing jointly. (Learn more here about how capital gains on home sales work.) **REBALANCE WITH DIVIDENDS**

putting that money into your underperforming investments. Typically, you'd rebalance by selling securities that are doing well and putting that money into those that are underperforming. But using dividends to invest in underperforming assets will allow you avoid selling strong performers — and thus avoid capital gains that would come from that sale. **USE TAX-ADVANTAGED ACCOUNTS** 

Rather than reinvest dividends in the investment that paid them, rebalance by

# These include 401(k) plans, individual retirement accounts and 529 college

**CARRY LOSSES OVER** 

savings accounts, in which the investments grow tax-free or tax-deferred. That means you don't have to pay capital gains tax if you sell investments within these accounts. Roth IRAs and 529s in particular have big tax advantages. Qualified distributions from those are tax-free; in other words, you don't pay any taxes on investment earnings. With traditional IRAs and 401(k)s, you'll pay taxes when you take distributions from the accounts in retirement. (Learn more here about taxes on your retirement accounts.)

allows you to carry the excess into the next year, deducting it on that year's return. **CONSIDER A ROBO-ADVISOR** Robo-advisors manage your investments for you automatically, and they

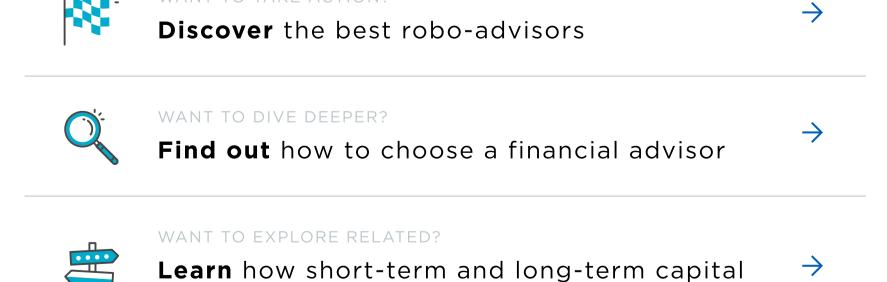
often employ smart tax strategies, including tax-loss harvesting, which involves

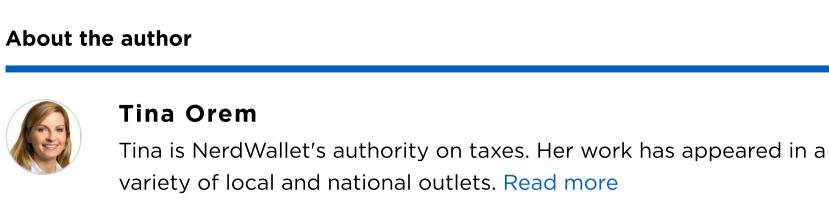
selling losing investments to offset the gains from winners.

If your net capital loss exceeds the limit you can deduct for the year, the IRS

# What's next?

WANT TO TAKE ACTION?





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gains differ

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