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You purchased Google stock at $200 in 2012 and sold it for $600 in 2014

Tax on Capital Gains is 30%

$400 x 0.30 = 120

Capital Gain = 600 – 200 = $400


CPI = 200
CPI = 210
2012
2014

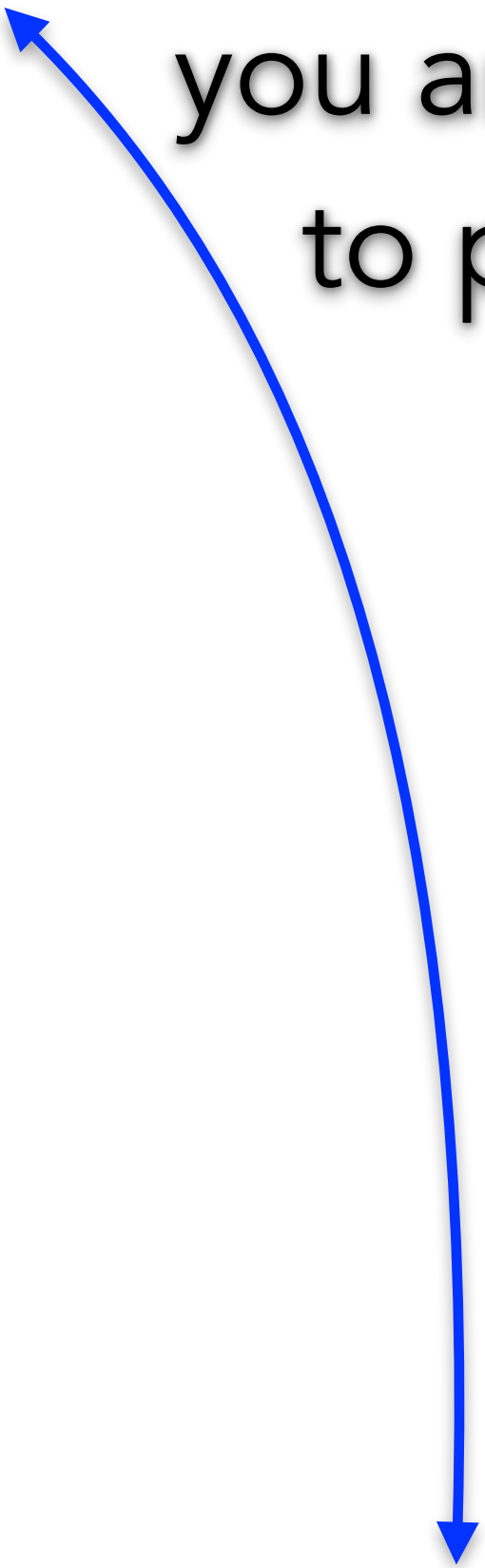
$$\text{Real Value} = \frac{600}{210} \times 100 = 285.7$$

$$\text{Real Value} = \frac{200}{200} \times 100 = 100$$

In real terms, you bought stock valued 100 and sold it for 285.7

Your Real Capital Gain = 285.7 - 100 = 185.7

You pay 64.6%
instead of the 30%
you are supposed
to pay by law



$$\frac{120}{185.7} \times 100 = 64.6\% \text{ effective tax!}$$

Even though your Real Capital Gain was only $185.7 the government still makes you pay $120

You purchased Google stock at $200 in 2012 and sold it for $600 in 2014

Capital Gain = 600 – 200 = $400

Tax on Capital Gains is 30%

Tax you owe

$400 x 0.30 = 120

You pay 64.6% instead of the 30% you are supposed to pay by law

CPI = 200

2012

CPI = 210

2014

Real Value = $\frac{200}{200}$ x 100 = 100

Real Value = $\frac{600}{210}$ x 100 = 285.7

In real terms, you bought stock valued 100 and sold it for 285.7

Your Real Capital Gain = 285.7 - 100 = 185.7

Even though your Real Capital Gain was only $185.7 the government still makes you pay $120

$\frac{120}{185.7}$ x 100 = 64.6% effective tax!

You lend $4,000 at 10% in 2012 and the loan is paid back in 2014

Interest Income = 4,000*0.1=$400