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IRS Tax Tip 2015-21: Ten Facts That You Should Know about Capital Gains and Losses

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Ten Facts That You Should Know about Capital Gains and Losses

When you sell a capital asset the sale results in a capital gain or loss. A capital asset includes most property you own for personal use or own as an investment. Here are 10 facts that you should know about capital gains and losses:

1. **Capital Assets.** Capital assets include property such as your home or car, as well as investment property, such as stocks and bonds.

2. **Gains and Losses.** A capital gain or loss is the difference between your basis and the amount you get when you sell an asset. Your basis is usually what you paid for the asset.

3. **Net Investment Income Tax.** You must include all capital gains in your income and you may be subject to the Net Investment Income Tax. This tax applies to certain net investment income of individuals, estates and trusts that have income above statutory threshold amounts. The rate of this tax is 3.8 percent. For details visit IRS.gov.

4. **Deductible Losses.** You can deduct capital losses on the sale of investment property. You cannot

deduct losses on the sale of property that you hold for personal use.

5. **Long and Short Term.** Capital gains and losses are either long-term or short-term, depending on how long you held the property. If you held the property for more than one year, your gain or loss is long-term. If you held it one year or less, the gain or loss is short-term.

6. **Net Capital Gain.** If your long-term gains are more than your long-term losses, the difference between the two is a net long-term capital gain. If your net long-term capital gain is more than your net short-term capital loss, you have a net capital gain.

7. **Tax Rate.** The capital gains tax rate usually depends on your income. The maximum net capital gain tax rate is 20 percent. However, for most taxpayers a zero or 15 percent rate will apply. A 25 or 28 percent tax rate can also apply to certain types of net capital gains.

8. **Limit on Losses.** If your capital losses are more than your capital gains, you can deduct the difference as a loss on your tax return. This loss is limited to $3,000 per year, or $1,500 if you are married and file a separate return.

9. **Carryover Losses.** If your total net capital loss is more than the limit you can deduct, you can carry over the losses you are not able to deduct to next year's tax return. You will treat those losses as if they happened in that next year.

10. **Forms to File.** You often will need to file Form 8949, Sales and Other Dispositions of Capital Assets, with your federal tax return to report your gains and losses. You also need to file Schedule D, Capital Gains and Losses with your tax return.

For more information about this topic, see the Schedule D instructions and Publication 550, Investment Income and Expenses. You can visit IRS.gov to view, download or print any tax product you need right away.

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