

8-4 NET CAPITAL GAINS

In recent years, the tax rates on long-term and short-term capital gains have become complex. Short-term capital gains are taxed as ordinary income, while there are various different preferential long-term capital gains tax rates. The 2016 capital gains tax rates are as follows:

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Ordinary Tax Rate	Short-Term Capital Gains	Typical Long-Term Capital Gains	Long-Term Unrecaptured Section 1250 Gain (See LO 8.7)	Long-Term Collectibles Gains (Art, Gems, Coins, Stamps, etc.)
10% to 15%	10% to 15%	0%	10% to 15%	10% to 15%
25% to 35%	25% to 35%	Capped at 15%	Capped at 25%	25% to 28%
39.6%	39.6%	Capped at 20%	Capped at 25%	Capped at 28%
3.8% ACA Medicare surtax*	3.8% added for "high-income" taxpayers	3.8% added for "high-income" taxpayers	3.8% added for "high-income" taxpayers	3.8% added for "high-income" taxpayers
Top total rate	43.4%	23.8%	28.8%	31.8%

*The 3.8 percent Medicare surtax on net investment income, including qualifying dividends, applies to high-income taxpayers with income over certain thresholds. Please see Chapter 1, LO 1.9, for further details.