CONNER ASH P.C.
Certified Public Accountants
and Business Consultants

12101 Woodcrest Executive Dr., Ste. 300
St. Louis, MO 63141-5047
Tel: 314-205-2510
Fax: 314-205-2505
www.connerash.com

An independent member of BKR International

FAVORABLE TAX TREATMENT FOR LONG-TERM CAPITAL GAINS
By: PATTY WARD, EA

Hopefully, you realize capital gains when you sell certain types of assets, like stocks and bonds, for example. There are preferential tax rates for qualified dividends and long-term capital gains on the sale of assets held for over a year.

- For 2016, if you are in the 10 or 15% tax bracket, the tax rate on qualified dividends and long-term capital gains is 0%. That's right, zero!
- For those in the 25, 28, 33 and 35% tax brackets, the rate is 15%.
- For top earners in the 39.6% bracket, the rate is 20%.
- If you sell depreciable real property, such as a rental property, the maximum rate on long-term capital gains is 25% to the extent of prior depreciation taken.
- And the maximum rate on the sale of collectibles is 28%.

That's a pretty nice little gift from Uncle Sam, right? Indeed, however where Congress giveth, it also taketh away. If you have short-term capital gains from the sale of assets held for one year or less, you pay tax on those gains at your ordinary income tax rate. Depending on your income, this rate could be anywhere from 10% to 39.6%.

In addition, due to the Affordable Care Act, there is now a net investment income tax (NIIT). If your modified AGI is greater than $200,000 for single, $250,000 for married filing a joint return or $125,000 for married filing separate returns, you may be subject to an additional 3.8% NIIT on your investment income, including your dividends and capital gains. As you can see, there are a number of factors to take into account when determining the tax impact of asset sales.

If you have any questions about this or any other business or tax issue, please contact your Account Manager or Patty Ward, EA, at (314) 205-2510 or via email at pward@connerash.com.