

# All that You Should Know About Capital Gains Tax on the Sale of Real Estate

LAS VEGAS, UNITED STATES, February 22, 2018 /EINPresswire.com/ -- Real estate is bought and sold with an expectation to gain from the capital appreciation. It can give good returns, but it is also accompanied by a hefty tax that you have to pay. If you are also thinking to sell off your real estate property, then there are certain things that you need to know. One of the many important things to remember is the capital gains tax on the [sale of your real estate property](#). Understanding this is very important.

Wondering what capital gains tax means? Read on to understand what it is, how to calculate it on real estate and most importantly how can you save on the tax on this capital gain.

## What is A Capital Asset?

I kinds of property whether tangible or intangible, movable or immovable, fixed or circulating that you own for personal or investment purposes. E.g., Stocks, bonds, house, land, etc. If the asset is held for less than 24 months, it is called short-term capital asset and if for over 24 months it is known as the long-term capital asset.

## Types of Capital Asset

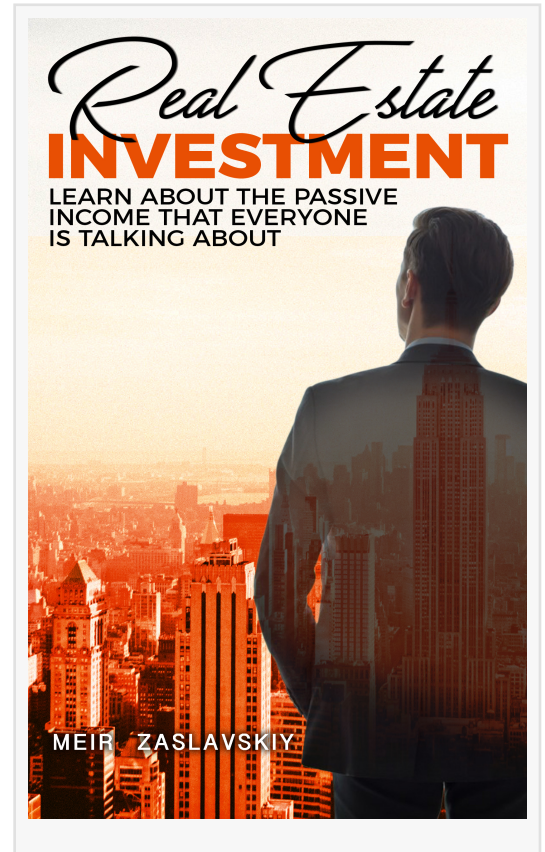
Following are the various types of capital assets:

- Sculptures
- Drawings
- Jewelry
- Property
- Security
- Paintings
- Archaeological collections

## What is Capital Gain or Loss?

When this capital asset is sold off, the difference between the purchase price of that asset and the selling price is known as the capital gain or capital loss as the case may be. These gains or losses can be long-term or short-term depending on the type of the capital asset.

## What is Capital Gains Tax?



It is a tax which one has to pay on the capital gains, i.e., the profit which one makes from selling a property or any other investment. It is levied only when an asset is realized and not when the investor is just holding the asset. You are liable to pay long-term capital gain tax if the property was owned for more than 3 years otherwise short-term capital gain tax.

### [What is Capital Gains Tax on Real Estate?](#)

The tax which is levied on the capital gain from selling off a real estate property is known as capital gains tax on real estate.

#### What Can Be Done to Minimize the Tax on the Capital Gains?

Follow these basic rules to minimize the tax that you will have to pay on the capital gains on real estate:

##### 1. When to sell

Long-term capital gains tax is lower than short-term, therefore if possible try to hold the property for at least 3 years to save that tax.

##### 2. Income level

Income level has an effect on the amount of long-term capital gains tax one pays. So, sell the property when your income is low. By doing that you could come in a lower tax bracket and save the tax. E.g., if you know that your income is going to decrease in coming year or months as your spouse will no longer be working, that is the time to sell off your property.

##### 3. Mix and match the capital losses with capital gains

By doing this, you will neutralize the loss and gain, and the net capital gain will be the difference between the gain and the loss, thereby saving on the amount of tax to be paid.

##### 4. Keeping records

Keep the records of any home enhancements that you did before selling off the property. An improvement can be anything which helps to make the home better or restores to a previous condition. This amount is deducted from the capital gain thereby helping in reducing the tax to be paid.

Capital gains tax could be troublesome as it can reduce the [profit from selling a real estate property](#). But now that you know what is capital gains tax on the sale of a property and how to save that tax act wisely and you could reduce your capital gain tax liability on the real estate transaction and make a profit much profit from selling a real estate property more than you could otherwise!

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