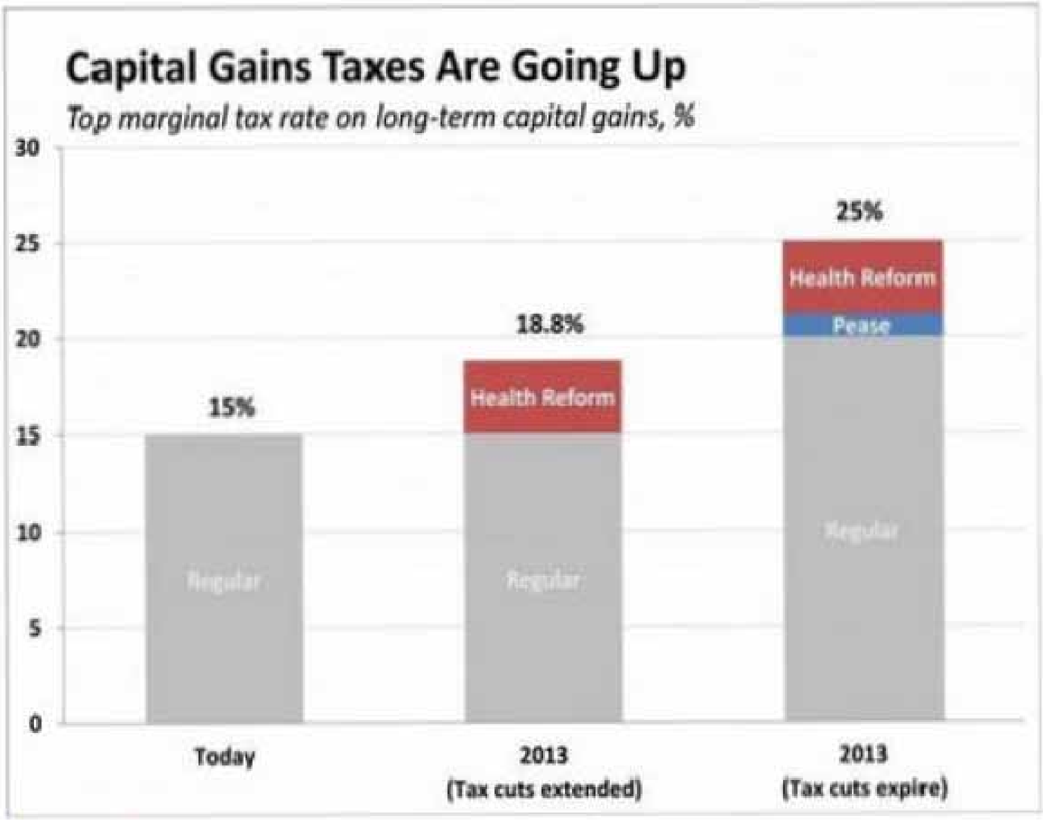
Capital Gains Tax Scheduled to Rise Sharply in 2013

By Suzy Knimm, The Washington Post

Donald Marron at the Tax Policy Center reminds us that taxes on capital gains are scheduled to increase in 2013, whether the Bush tax cuts are extended or not. He points out that the Democratic health reform law also contains a little noticed tax hike on the investment income for wealthy Americans that will take effect on January 1, adding 3.8 percent to the capital gains tax rate, which is currently at 15 percent. Then, if the Bush tax cuts aren't extended, the regular capital gains rate will rise to 20 percent, and another obscure provision will reduce the value of itemized deductions, adding 1.2 percent. The total effective rate on capital gains would then be 25 percent.



(Tax Policy Center)

So, the only way to avoid a tax hike on capital gains altogether would be to repeal this provision in the Affordable Care Act and to reject an extension of the Bush tax cuts, Marron concludes.