IndependentWomen®

Protecting Your Wealth from the Tax Man: Reforms to Capital Gains Taxes

What's at Stake

U.S. households and nonprofits hold $197 trillion in assets, including real estate, stocks, bonds, cash, and other investments. High inflation over the past four years has pushed up asset values, creating taxable "gains" that often mask real losses and impose unfair tax burdens on Americans building wealth through homeownership and long-term savings.

This is not just a tax fairness issue but an economic security issue:

- Inflation erodes purchasing power while raising taxable income on assets; nominal gains do not reflect real wealth growth, leading to taxes on illusory profits.
- Women, who outlive men and manage household finances longer, risk inheriting big tax bills on inherited assets; female entrepreneurs rely on these assets for funding as they face barriers to capital.
- Homeowners face a "lock-in effect," reluctant to sell due to capital gains taxes on appreciated values, drying up housing supply, and contributing to shortages. Nearly 29 million households could see increased taxable gains in 2025.

Unfair capital gains taxes undermine wealth-building and complicate economic mobility for American families.

Taxing unrealized gains is also a bad solution. It would force asset sales at a loss, reduce entrepreneurship (self-employment is 33% lower in countries with wealth taxes), and drive capital abroad.

A Better Approach

Indexing tax provisions for inflation protects households and boosts growth. For example, the One Big, Beautiful Bill Act (OBBB) in 2025 indexed various tax credits and deductions for inflation, providing relief amid rising prices. Indexing capital gains for inflation would grow the economy $22 billion in the long term, raise after-tax incomes by 0.2% on average, and add 21,800 full-time jobs.

The U.S. should also consider increasing home exemptions, perhaps doubling them to $500,000/$1 million. Indexing capital gains and home sale exclusions would deter unfair taxation, encourage asset sales, and increase housing supply.

Indexing capital gains for inflation creates a fairer system, will grow the economy, and preserve wealth for future generations.

Addressing Misperceptions

MISPERCEPTIONS	FACTS
Capital gains taxes only affect the wealthy and high-income investors.	While high earners pay more, inflation-driven gains impact middle-class households too. Assets like stocks and real estate are held by everyday Americans to build security. Homeowners selling primary residences could face taxes on built-up equity, with one in three (29 million) households affected in 2025, and this is projected to rise to 56% by 2030.
Inflation doesn't create unfair taxes on capital gains since asset values naturally rise.	Technically, nominal gains are taxed, but they often hide real losses. For example, $100 of stock bought in 1965 that sold for $120 in 1980 would be taxed as a $20 nominal, but was really a $142 loss after adjusting for inflation. Indexing capital gains would reduce the taxable gains, saving families from tax burdens on eroded wealth. So, for example, only $6,371 would be taxed on a $10,000 nominal gain of an asset sold after a period of time.
Taxing unrealized gains is a fair way to target the rich and boost revenue without harming growth.	It's an economic disaster; it creates liquidity crises (forcing sales of non-cash assets like art or family businesses), reduces startup capital (women-owned firms get just 2.3% of venture funding), and spurs emigration. France lost €35 billion in assets from 10,000 emigrants under its wealth tax.

To learn more, read the *Policy Focus: Protecting Your Wealth from the Tax Man: Reforms to Capital Gains Taxes*.