

# Most Home Sales Will Not Likely Lead to Fair Share Tax Payments

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Even in Massachusetts' hot housing market with many homes selling for over \$1 million, the vast majority of all home sales will not subject the home sellers to a proposed "millionaire's tax." On November 8, 2022, voters will decide on the [Fair Share](#) tax which if passed, would create an additional 4 percent tax on taxable income over \$1 million to support education and transportation. However, because home sellers are not taxed on the *sale price* of a home but rather on the *capital gain* from the sale of a home, most sales will not push them over the \$1 million threshold.

## Housing Sales and Capital Gains

When a seller sells a home for more than the purchase price, this difference is known as a **capital gain** (*the difference between the sale price and previous purchase price*). For example, if a home were initially purchased at \$450,000 and eventually sold at \$1,000,000, the capital gain would be \$550,000. If the same home sold for \$1,450,001, the capital gain would be \$1,000,001 but the **taxable amount of a capital gain from a home sale is almost always reduced by significant deductions** (see below).

## Would Most Home Sellers Likely Be Subject to the Fair Share Tax?

Only a very small portion of households in Massachusetts actually sell a home each year, and most of those sales produce a capital gain of less than \$1 million. Even in the current housing market, an analysis of 2021 housing data<sup>1</sup> shows that **only 2% of all home sellers** sold their homes for a gain of more than \$1 million.

On top of that, there are several types of **deductions** home sellers can use to further reduce their taxable capital gain from selling a home. Most home sellers would be eligible for a tax exemption that allows taxpayers to **exclude up to \$250,000 (or \$500,000 if married filing jointly)** of capital gains when selling a primary residence.<sup>2</sup> With these deductions, most home sellers would need to sell a home for significantly more than \$1 million over their previous purchase price before their taxable income reached the Fair Share threshold.<sup>3</sup> Even in 2021, a year with rapidly rising

### Key Takeaways

- In a home sale, only the capital gain (*the difference between the sale price and previous purchase price*), not the sale price, is considered taxable income and potentially subject to the proposed Fair Share tax.
- In 2021, 2% of homes sold for a gain of more than \$1 million, and less than 1% of homes sold for a gain of more than \$1.5 million.

home costs and high inflation, less than 1% of all home sales netted the seller a capital gain of more than \$1.5 million.<sup>4</sup>

2021 Residential Home Sales in Massachusetts		
Capital Gains	Number of Homes Sold	Share of Residential Sales
Under \$1M <sup>5</sup>	100,448	98.0%
Above \$1M	2,099	2.0%
Above \$1.5M	895	0.9%
<b>Total 2021 Home Sales<sup>6</sup></b>	<b>102,547</b>	<b>100.0%</b>
Source: The Warren Group; A Massachusetts-based national real estate and mortgage data provider. Data provided for homes sold throughout Calendar Year 2021.		

<sup>1</sup> The Warren Group; A Massachusetts-based national real estate and mortgage data provider. Data provided for homes sold throughout Calendar Year 2021.

<sup>2</sup> Commonwealth of Massachusetts. Governor’s Budget Fiscal Year 2023 Recommendations. Personal Income Tax Exclusions from Gross Income. [Tax Item 1.021 Exemption of Capital Gains on Home Sales.](#)

<sup>3</sup> Home sellers realizing gains of \$1.5 million (if married) could potentially use the \$500,000 capital gains exemption to bring the gain down to \$1 million, which is below the Fair Share taxable income threshold.

<sup>4</sup> The Warren Group; A Massachusetts-based national real estate and mortgage data provider. Data provided for homes sold throughout Calendar Year 2021.

<sup>5</sup> Includes newly-built homes and homes sold at no gain or at a loss.

<sup>6</sup> Includes all homes sold.