Most Home Sales Will Not Likely Lead to Fair Share Tax Payments
By La-Brina Almeida, Policy Analyst

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 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. 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. Even in 2021, a year with rapidly rising...
home costs and high inflation, less than 1% of all home sales netted the seller a capital gain of more than $1.5 million.4

<table>
<thead>
<tr>
<th>Capital Gains</th>
<th>Number of Homes Sold</th>
<th>Share of Residential Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $1M5</td>
<td>100,448</td>
<td>98.0%</td>
</tr>
<tr>
<td>Above $1M</td>
<td>2,099</td>
<td>2.0%</td>
</tr>
<tr>
<td>Above $1.5M</td>
<td>895</td>
<td>0.9%</td>
</tr>
<tr>
<td>Total 2021 Home Sales6</td>
<td>102,547</td>
<td>100.0%</td>
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</tbody>
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Source: The Warren Group; A Massachusetts-based national real estate and mortgage data provider. Data provided for homes sold throughout Calendar Year 2021.

1 The Warren Group; A Massachusetts-based national real estate and mortgage data provider. Data provided for homes sold throughout Calendar Year 2021.
3 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.
4 The Warren Group; A Massachusetts-based national real estate and mortgage data provider. Data provided for homes sold throughout Calendar Year 2021.
5 Includes newly-built homes and homes sold at no gain or at a loss.
6 Includes all homes sold.