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THE TAX LAWYER

TAXES 3/25/2015

U.S. Capital Gain Rate Among World's Highest, But President Obama Wants More

America's top tax on long-term capital gains is 23.8%, made up of two components. There's the 20% top gain rate, plus the 3.8% [Affordable Care Act](#) tax for those with adjusted gross incomes of \$200,000 (\$250,000 married filing jointly). Then, add state taxes that can be as high as California's 13.3%. The Golden State taxes ordinary income and capital gain at the same rate.

Most states are not so extreme, of course. Still, if you consider the deduction for state taxes against federal taxes, the average top capital gain tax rate nationwide is 28.6%. Sure, that is better than ordinary income, but how much better, and how do we stack up internationally? Not well, as it turns out.



US President Barack Obama speaks during a joint press conference at the White House in Washington, DC, March 24, 2015. (Photo credit: JIM WATSON/AFP/Getty Images)

In fact, according to the Tax Foundation, it turns out that [U.S. taxpayers face the 6th highest rate](#) in the OECD. Taxpayers in most OECD countries face much lower capital gains tax rates than we do.

Only Denmark (42%), France (34.4%), Finland (33%), Ireland (33%), and Sweden (30%) have higher rates. The average capital gain rate in OECD countries is a low 18.4%. What's more, nine OECD countries exempt capital gains entirely.

The U.S. taxes savings and investment heavily, and President Obama wants to add more. Right before his State of the Union address to a Republican controlled Congress, President Obama proposed \$320 billion in tax hikes. His signature ideas would make community college free, and would extend sick leave to working families. He pitched a massive batch of tax hikes, even invoking Ronald Reagan's name to sell higher capital gains rates.

During Reagan's years, Mr. Obama noted, the top capital gains rate was 28%. President Obama *already* raised the capital gain rate from 15% to 20%, and even that isn't accurate. Long term capital gains today are hit with 23.8%. Of course, that 3.8% tax is [only one of many taxes](#) imposed by Obamacare.

The President called for \$320 billion in tax increases over 10 years. He proposed a top 28% capital gains rate that would apply to gains and dividends too, but in both cases only for couples making more than \$500,000 per year. We already aren't too competitive around the world.

Our capital gain rates outstrip the average rates applied throughout the industrialized world. And it could get worse. The President wants to up the rate even further, which would make us even less competitive. According to the Tax Foundation, lowering taxes on capital gains would have the reverse effect. It would increase investment and lead to greater economic growth.

2015 Top Marginal Tax Rate on Capital Gains, by OECD Country

Rank	Country	Rate
1	Denmark	42.0%
2	France	34.4%
3	Finland	33.0%
3	Ireland	33.0%
5	Sweden	30.0%
6	United States	28.6%
7	Portugal	28.0%
7	United Kingdom	28.0%
9	Norway	27.0%
9	Spain	27.0%
11	Italy	26.0%
12	Austria	25.0%
12	Germany	25.0%
12	Israel	25.0%
12	Slovak Republic	25.0%
16	Australia	24.5%
18	Canada	22.6%
19	Estonia	21.0%

20	Japan	20.3%
21	Chile	20.0%
21	Iceland	20.0%
23	Poland	19.0%
25	Hungary	16.0%
26	Greece	15.0%
27	Mexico	10.0%
28	Belgium	0.0%
28	Czech Republic	0.0%
28	Korea	0.0%
28	Luxembourg	0.0%
28	Netherlands	0.0%
28	New Zealand	0.0%
28	Slovenia	0.0%
28	Switzerland	0.0%
28	Turkey	0.0%
	OECD Simple Average	18.4%
	OECD Weighted Average	23.2%

Source: Ernst and Young and Deloitte
Tax Foundation Calculations.

For more, see: [“The High Burden of State and Federal Capital Gains Tax Rates in the United States.”](#)

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