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# How burdensome are capital gains taxes?: Evidence from the United States

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[https://doi.org/10.1016/0047-2727\(87\)90072-7](https://doi.org/10.1016/0047-2727(87)90072-7) ↗

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## Abstract

This paper uses capital gain realization data from individual tax returns to evaluate recent claims that sophisticated portfolio strategies permit investors to avoid capital gains taxes. The results suggest important investor heterogeneity. Twenty percent of taxpayers with capital gains or losses face binding loss-offset constraints. Another significant group of investors evades the capital gains tax; prior to recent legislative changes, forty percent of capital gains were unreported. Finally, about forty percent of capital gains accrue to investors who report capital gains and face significant tax burdens, as the traditional analysis of the capital gains tax suggests.

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...Second, the structure of venture partnerships has attracted increasing attention. First, Poterba (1987, 1989) notes that the fluctuations could arise from changes in either the supply of or the demand for venture capital. It is very likely, he argues, that decreases in capital gains tax rates increase commitments to venture funds, even though the bulk of the funds are from tax-exempt investors....

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- \* I am grateful to Daniel Feenberg, Jerry Hausman, Mervyn King, Barry Nalebuff, Myron Scholes, Lawrence Summers, two anonymous referees and the editor for helpful comments. This research was supported by the National Science Foundation and a Batterymarch Financial Fellowship and is part of the NBER Program in Taxation.

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