

Income Tax on Long- and Short-Term Capital Gains

By: Rute Pinho, Chief Legislative Analyst
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Issue

What are the income tax rates that apply to long- and short-term capital gains in Delaware, Maryland, New Jersey, New York, Pennsylvania, and the six New England states?

This report updates OLR Report [2021-R-0007](#).

Income Tax Rates in 11 Selected States

Among the selected states, Massachusetts is the only one we identified that imposes a different tax rate on short-term capital gains. The remaining states tax capital gains, with certain exclusions, at the same rate as other income. Table 1 below shows, for the 2024 tax year, the range of income tax rates, number of brackets, and highest income bracket in each of the selected states.

Table 1: State Income Tax Rates in 11 Selected States, 2024

State	Rate Range	Number of Brackets	Highest Income Bracket
Connecticut	2% to 6.99%	7	>\$500,000 for single filers >\$1 million for joint filers
Delaware	0% to 6.6%	7	>\$60,000
Maine	5.8% to 7.15%	3	>\$61,600 for single filers >\$123,250 for joint filers
Maryland	2% to 5.75%	8	>\$250,000 for single filers >\$300,000 for joint filers

Table 1 (continued)

State	Rate Range	Number of Brackets	Highest Income Bracket
Massachusetts	Flat 5% (8.5% on income from short-term capital gains; 12% on certain long-term capital gains); 4% surtax on income over \$1,053,750	N/A	> \$1,053,750 (for 4% surtax only)
New Hampshire*	3% (interest and dividends only)	N/A	N/A
New Jersey	1.4% to 10.75%	7 (single filers) 8 (joint filers)	>\$1 million
New York	4% to 10.9%	9	>\$25 million
Pennsylvania	Flat 3.07%	N/A	N/A
Rhode Island	3.75% to 5.99%	3	>\$176,050
Vermont	3.35% to 8.75%	4	>\$242,000 for single filers >\$294,600 for joint filers

Source: CCH AnswerConnect and state tax department websites

* New Hampshire's tax is repealed after 2024.

Table 2 below shows how the selected states treat capital gains and losses for income tax purposes. As it shows, with a few exceptions, the states generally follow federal law for calculating capital gains and losses. (This [2018 OLR Report](#) briefly explains the federal tax treatment of capital gains.) Most of the selected states, including Connecticut, provide exclusions and reductions for certain federally taxable capital gains. Connecticut excludes capital gains from the sale or exchange of Connecticut state or municipal bonds or notes from its income tax but follows the federal rules in other respects. Vermont allows taxpayers to exclude a portion of net adjusted capital gains from taxable income. New Hampshire, which taxes only certain kinds of nonwage income, exempts all capital gains.

Table 2: Income Tax Treatment of Capital Gains and Losses in 11 Selected States

State	Treatment of Capital Gains and Losses
Connecticut	Same as federal, except gains (or losses) from the sale of Connecticut state and local bonds are subtracted (or added back)
Delaware	Same as federal
Maine	Same as federal, except a portion of the gains from sales of eligible timberlands within Maine are exempt
Maryland	Same as federal, except profit from Maryland bond sales is exempt
Massachusetts	Short-term capital gains (net of capital losses) are taxed at 8.5%; 50% of long-term capital gains on collectibles, and certain pre-1996 installment sales are taxed at 12%; other long-term capital gains (less long-term capital losses) are taxed as ordinary income (5%)

Table 2 (continued)

State	Treatment of Capital Gains and Losses
New Hampshire	Exempt
New Jersey	Same as federal, except capital gains from New Jersey obligations are exempt and capital losses may not be deducted from ordinary income
New York	Exempts gains on sale of certain new business investments and defers gains on reinvested qualified emerging technology investments
Pennsylvania	No specific provisions (net gain from sale, exchange, or disposition of property is generally taxable)
Rhode Island	Same as federal
Vermont	Exemption equal to greater of (1) 40% of gains on certain assets or (2) the lesser of \$5,000 or the actual amount of net adjusted capital gains; exempt amount cannot exceed 40% of federal taxable income or \$350,000

Source: Wisconsin Legislative Fiscal Bureau, "[Individual Income Tax Provisions in the States](#)," January 2025

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