

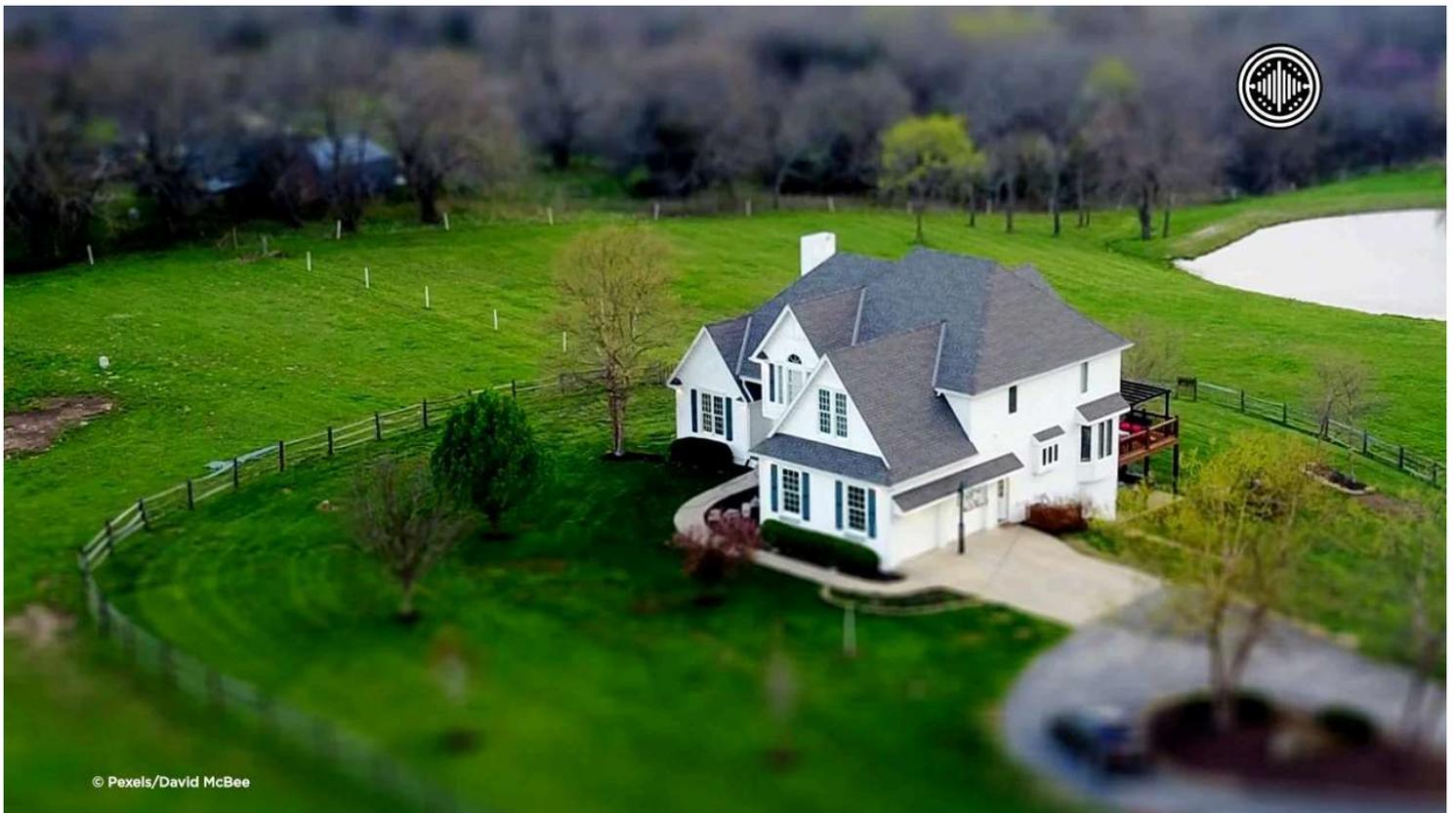
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Boomers Hold Off on Selling Homes, Hoping Capital Gains Tax Will Be Cut

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A growing number of older Americans are choosing not to sell their large, high-value homes, hoping a proposed change to the federal capital gains tax will soon take effect. With bipartisan conversations underway in Washington, some homeowners are hitting pause on downsizing plans in hopes of holding onto more of their equity. The trend is quietly worsening the supply crunch for family-sized homes.

Joel Friedman, 71, is one of them. For over three decades, Friedman and his wife, Kathryn, have lived in their spacious five-bedroom home in Southern California. Now retired, the

couple wants to downsize to a more manageable single-story property in a 55-plus community. But the capital gains tax is standing in the way.

“There are a million reasons why we’d like to move, but we’re not because the tax is just burdensome,” Friedman told *Business Insider*.

The couple would face a federal tax of up to 20 percent on profits above the exemption, which is \$500,000 for joint filers. That would eat into their retirement savings. Since 1997, the capital gains exemption has remained unchanged. Had it been adjusted for inflation, the individual threshold would be nearly double today, around \$496,000.

Many retirees like the Friedmans are sitting on significant home equity after years of property appreciation. According to CoreLogic, 8 percent of U.S. home sellers in 2023 earned more than \$500,000 in profit from their sales, up from just 1.3 percent in 2003.

Equity Locked Away

That gain, while welcome, comes at a cost. Many older homeowners are reluctant to sell, leaving a large number of spacious homes off the market at a time when young families are struggling to find adequate housing. Redfin, a real estate firm, reported in 2022 that empty-nester baby boomers own twice as many homes with three or more bedrooms as millennials with children.

Mary Ellen Taylor, 75, says she’s staying put in her six-bedroom Washington, DC, home for that very reason. A longtime housing finance expert, she believes the policy needs serious reform.

“With all the fuss that is made, rightly so, about the supply of housing, having tax incentives that run completely counter to what your public policy aims of increasing the supply of housing is silly,” Taylor said. “I don’t think you want a bunch of 75-year-olds occupying six-bedroom houses.”

Both Republican and Democratic lawmakers have taken notice. Representative Marjorie Taylor Greene of Georgia introduced the No Tax on Home Sales Act, which gained new traction after President Donald Trump voiced support for eliminating the tax during a July 22 press event.

“We are thinking about no tax on capital gains on houses,” Trump told reporters, while noting the Federal Reserve lowering interest rates would ease pressure on the housing market as well.

Representative Jimmy Panetta, a California Democrat, has also pushed for reform. His More Homes on the Market Act would double the capital gains exclusion to \$1 million for married couples and adjust it for inflation. He welcomed Trump’s interest, saying, “I just hope that the President is serious about doing something, and not just saying it.”

However, economists caution against expecting a housing boom. Selma Hepp, chief economist at CoreLogic, warned that more cash for sellers could raise home prices, not ease the affordability crisis.

David Levin, 71, who owns a home in Manhattan Beach, California, said he and his wife are in the same dilemma. Despite owning a house now worth \$2.8 million, he said, “The way the law stands today, we’re staying put in a home bigger than we need.”

Even with solid support from both parties, it remains uncertain whether any reform will happen soon. Until then, many boomers may continue to hold off, keeping their equity locked in place and with it, the homes their families need.