



COUNTY OF SAN DIEGO

BOARD OF SUPERVISORS

1600 PACIFIC HIGHWAY, ROOM 335, SAN DIEGO, CALIFORNIA 92101-2470

AGENDA ITEM

DATE: December 9, 2025

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TO: Board of Supervisors

SUBJECT

HOMEOWNERS, SENIORS, VETERANS, AND FAMILIES HOMEOWNERSHIP TAX RELIEF & INCREASING HOUSING FOR MORE OPPORTUNITIES FOR HOMEOWNERSHIP THROUGH MODIFICATION OF THE FEDERAL EXCLUSION FROM CAPITAL GAINS TAXES ON HOME SALES (DISTRICTS: ALL)

OVERVIEW

Throughout the state of California and San Diego County, we are experiencing a housing crisis. Decades of underbuilding, regulations, and population growth have been compiled to create a housing shortage, driving up prices of existing homes. Due to highly restrictive environmental laws and increased building costs, home building has stagnated across the state. Annual housing production across the state has consistently been lower than what the growing population requires. Lengthy permitting processes take years, and environmental lawsuits stunt the few projects that do get approved, further exacerbating the crisis. The existing stock of homes values have dramatically outpaced inflation, leading to an affordability crisis. The average age of first-time homebuyers in the U.S. has now reached the all-time high of 40, according to the National Association of Realtors. Seniors looking to retire with dignity cannot afford the taxes that come with a home sale. Young people and families cannot afford homes, the cornerstone of the American Dream.

With median detached home prices in San Diego County exceeding \$900,000 (August 2025), estimates say a person would need an income of roughly \$180,000 a year to afford a mortgage on a home. There is a growing sentiment across the country that older generations are bottlenecking the housing supply by not selling their single-family homes, and downsizing. However, there is a glaring reason for the lack of home sales in the market. Most homeowners would stand to lose a tremendous amount of money due to capital gains taxes. Home sales often trigger capital gains tax, with homeowners having to shell out thousands in state and federal taxes. Many have opted to not sell their homes to avoid the taxes and instead leave their property as inheritance. The tax exclusion caps for capital gains on home sales have not been raised since 1997. Homeowners can exclude up to \$250,000 or \$500,000 filing single or married respectively, in capital gains from the sale of a primary residence.

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In 1997, President Bill Clinton led the passage of the current exclusion at a time when the median new home sale price was \$145,000 in the U.S., according to census data. When implemented, the caps were designed to eliminate capital gains tax on homes sales for the average American. Over the last few decades, there has been a “hidden cost of appreciation” that is highlighted in high-value markets like San Diego County. Property values in San Diego are much higher than other parts of the country, causing the unchanged capital gains exclusions to have a substantially diminished impact.

After 28 years, the exclusion caps should be updated to make selling homes more attractive to homeowners, thereby increasing housing supply and market turnover. Home values have dramatically outpaced inflation and capital gains reform should be a priority to stimulate the housing market to open up homes to a new generation of homeowners and families. There have been several bills and various ideas on how to amend capital gains in the last few years. House of Representatives Bill 4327 (H.R. 4327) proposes eliminating the tax altogether. A bipartisan bill, House of Representatives Bill 1340 (H.R. 1340), proposes doubling the current caps to roughly account for 28 years of inflation, while also indexing them to inflation going forward to provide a lasting solution. The County should support any legislation that supports capital gains tax reform on home sales to spur market movement.

Today’s actions direct the Chief Administrative Officer to add to our legislation program support of federal legislation that would amend the exclusion of capital gains tax on sales of owner-occupied housing to increase or eliminate the exclusion caps.

RECOMMENDATION(S)

SUPERVISOR JIM DESMOND AND ASSESSOR/RECORDER/COUNTY CLERK

JORDAN MARKS

Direct the Chief Administrative Officer to include in the Board’s Legislative Program support of legislation that will increase the exclusion caps for capital gains taxes on sales of owner-occupied housing.

EQUITY IMPACT STATEMENT

Raising the exclusion caps on capital gains tax can promote greater equity in the housing market by encouraging long-term homeowners to sell their properties without facing heavy tax burdens. Many older or long-time homeowners hold significant unrealized gains and hesitate to sell due to potential tax liabilities. By increasing the exclusion cap, these owners are more likely to list their homes, which would expand housing supply and ease inventory shortages. This increase in available homes can help stabilize prices and make housing more accessible to younger buyers and first-time homeowners, fostering a fairer and more dynamic housing market overall.

SUSTAINABILITY IMPACT STATEMENT

Raising the exclusion caps on capital gains tax can encourage long-term homeowners to sell, freeing up underused homes and creating more opportunities for families and first-time buyers. As more properties enter the market, supply increases, helping to stabilize prices and improve

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access for younger generations. By making homeownership more attainable, this policy supports the broader goal of keeping the American Dream alive, giving more people the chance to build stability, wealth, and community through owning a home.

FISCAL IMPACT

There is no fiscal impact associated with this action. There will be no change in net General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

Throughout the state of California and San Diego County, we are experiencing a housing crisis. Decades of underbuilding, regulations, and population growth have been compiled to create a housing shortage, driving up prices of existing homes. Due to highly restrictive environmental laws and increased building costs, home building has stagnated across the state. Annual housing production across the state has consistently been lower than what the growing population requires. Lengthy permitting processes take years, and environmental lawsuits stunt the few projects that do get approved, further exacerbating the crisis. The existing stock of homes values have dramatically outpaced inflation, leading to an affordability crisis. The average age of first-time homebuyers in the U.S. has now reached the all-time high of 40, according to the National Association of Realtors. Seniors looking to retire with dignity cannot afford the taxes that come with a home sale. Young people and families cannot afford homes, the cornerstone of the American Dream.

With median detached home prices in San Diego County exceeding \$900,000 (August 2025), estimates say a person would need an income of roughly \$180,000 a year to afford a mortgage on a home. There is a growing sentiment across the country that older generations are bottlenecking the housing supply by not selling their single-family homes, and downsizing. However, there is a glaring reason for the lack of home sales in the market. Most homeowners would stand to lose a tremendous amount of money due to capital gains taxes. Home sales often trigger capital gains tax, with homeowners having to shell out thousands in state and federal taxes. Many have opted to not sell their homes to avoid the taxes and instead leave their property as inheritance. The tax exclusion caps for capital gains on home sales have not been raised since 1997. Homeowners can exclude up to \$250,000 or \$500,000 filing single or married respectively, in capital gains from the sale of a primary residence.

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average American. Over the last few decades, there has been a “hidden cost of appreciation” that is highlighted in high-value markets like San Diego County. Property values in San Diego are much higher than other parts of the country, causing the unchanged capital gains exclusions to have a substantially diminished impact.

In the Taxpayer Relief Act of 1997, the current caps were introduced to provide relief to middle class American’s and enable mobility in the housing market. The caps are \$250,000 for those filing as single, and \$500,000 for married joint filers. These caps are designed for owner-occupied homes, not investors or real estate firms. Tax filers must pass a “use test” to qualify for the tax exclusion. The homeowner must have owned the home for five years and lived in the house for at least two of those five years, prior to the date of sale. In addition, the exclusion is applicable for one sale, every two years to ensure its use is by owner-occupied homeowners.

After 28 years, the exclusion caps should be updated to make selling homes more attractive to homeowners, thereby increasing housing supply and market turnover. Home values have dramatically outpaced inflation and capital gains reform should be a priority to stimulate the housing market to open up homes to a new generation of homeowners and families. There have been several bills and various ideas on how to amend capital gains in the last few years. There have been several bills introduced in the last few years that sought to amend the exclusion caps, but they did not become law. In the current 119th Congress, two bills have been introduced to adjust the exclusion caps. H.R. 4327, the No Tax on Home Sales Act, proposes eliminating the tax altogether. A bipartisan bill, H.R. 1340, More Homes on the Market Act, would double the current caps, from \$250,000 and \$500,000, to \$500,000 and \$1,000,000 respectively. This increase to the caps would roughly account for 28 years of inflation, while also indexing them to inflation going forward to provide a lasting solution. The County should support any legislation that supports capital gains tax reform on home sales to spur market movement.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today’s proposed action supports the Equity Initiative in the County of San Diego’s 2025-2030 Strategic Plan by supporting stimulation of the housing market to provide housing and economic opportunity.

Respectfully submitted,



JIM DESMOND
Supervisor, Fifth District



JORDAN Z. MARKS
Assessor/Recorder/County Clerk

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ATTACHMENT(S)

N/A