The Capital Gains Ledger
SEE THE MATH · TRUST THE NUMBER

capgainstaxcalc.com

GUIDE + WORKSHEET

Inherited Property & Step-Up in Basis

Inherit an asset and your cost basis is generally **"stepped up" to its fair market value on the date of death** `IRC §1014` — so only appreciation **after** you inherit is taxed when you sell.

Two things to know: (1) Inherited property is **automatically long-term** (0/15/20% rates), no matter how briefly you hold it `§1223(9)`. (2) The step-up can also be a step-*down* if the asset lost value before death.

Gain worksheet

A. Fair market value on the date of death (your stepped-up basis)	______________________
B. Sale price, net of selling costs	______________________
C. = Taxable gain or loss (B − A)	______________________

Line C is taxed at **long-term** rates — often near **$0** if you sell soon after inheriting, since the basis reset to date-of-death value.

Wrinkles worth knowing

- [ ] **Alternate valuation date:** an estate may elect values **6 months** after death `§2032` — ask the executor which basis applies.
- [ ] **Community-property states:** a surviving spouse often gets a **full (double) step-up** on the whole asset, not just half.
- [ ] **Get the date-of-death value in writing** — a dated appraisal or account statement is your basis record.
- [ ] **Inherited retirement accounts** (traditional IRA/401k) do **not** get a step-up and follow different rules.

capgainstaxcalc.com — free capital gains calculator with the math shown for all 50 states & D.C. Sources: 26 U.S.C. §1014, §1223, §2032; IRS Pub 551, Pub 559. Dollar thresholds are projected 2026 figures, owner-verifiable against the final IRS release. Educational information, **not tax, legal, or investment advice**.