Trump Eyes Eliminating Capital Gains Tax on Homes - What It Could Mean for You and Housing Markets

July 23, 2025 - A proposal backed by former President Trump and Rep. Marjorie Taylor Greene has reignited debate over whether the capital gains tax on home sales should be eliminated entirely. Advocates say it could benefit millions of Americans-especially elderly homeowners-and boost a tight housing market.

On July 22, Trump told reporters heâ€™s â€œthinking about no tax on capital gains on houses,â€• describing it as a way to â€œo the housing market. He also mentioned that lower interest rates could achieve much the same effect.

The existing tax code allows homeowners selling their primary residence to exclude up to $250,000 in gains ($500,000 for married couples), but that cap hasnâ€™t been updated since 1997 and hasn't kept up with soaring home values. As home prices have climbed, more sellers find themselves above this limit.

According to the National Association of Realtors (NAR), roughly 34% of homeowners-around 29 million people-have enough equity that selling would exceed the $250,000 cap. About 10%, or 8 million, could surpass the $500,000 threshold.

The result is what housing experts call the â€œstayâ€‘put penalty.â€• Rather than get hit with a steep tax bill, many long-time residents, particularly seniors, hesitate to sell, even if theyâ€™d prefer to downsize or move closer to family. This keeps inventory low and drives prices higher.

Housing inventory remains roughly 13% below pre-pandemic levels, Realtor.com reports. Meanwhile, the National Association of Realtors says the median sale price in June 2025 was $435,300-a record high-while sales volume fell to a nine-month low.

Rep. Greeneâ€™s No Tax on Home Sales Act would remove federal capital gains tax on primary home sales. â€œHomeowners who have lived in their homes for decades, especially seniors in places where values have surged, shouldnâ€™t be forced to stay put because of an IRS penalty,â€• Greene said. She added it would â€œunlock that equity, help fix the housing shortage, and support long-term financial security for American families.â€•

Barronâ€™s notes the proposal aligns with Trumpâ€™s comments and argues such a change could encourage more listings, alleviating supply constraints.

Advocates for the change argue even marginal relief could prompt older homeowners to move, opening up larger homes for younger families and easing the market overall. According to NAR projections, by 2030 more than half of homeowners could exceed the $250,000 exclusion

In plain terms: if this passes, decades of unrealized home value wouldnâ€™t evaporate into tax bills. That means retirees could downsize, families could move into starter homes, and the locked-up supply would loosen-potentially cooling sky-high prices.

As it stands, Congress would need to act for this to take effect. But with homebuying still beyond the reach of many and inventory at record lows, proponents say now is the time to update a nearly 30-year-old rule that penalizes those who simply decided to stay in their home.