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Capital gain is the difference between what a person paid for an asset and its current fair market value. For example, if a person purchased some stock for $5,000 and the stock is now worth $15,000, the person's capital gain in the stock is $10,000.

Capital gain in property that has been held for longer than one year is called long term capital gain and is taxed at capital gain tax rates. Capital gain in property that has been held for one year or less is called short term capital gain and is taxed at ordinary income tax rates.

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