Capital Gains Tax on Selling a Home in Portland, Oregon: What You'll Actually Owe

SLUG: capital-gains-tax-selling-home-portland-oregon
META DESCRIPTION: Oregon taxes home sale profit as ordinary income, up to 9.9%. Portland sellers also face Metro SHS and Multnomah County taxes. Here's what you'll owe.

AI SNIPPET SUMMARY

Do you pay capital gains tax when selling your home in Portland, Oregon?

Most Portland homeowners who qualify for the federal primary residence exclusion — $250,000 for single filers, $500,000 for married couples filing jointly — owe little or no federal tax on their home sale. However, Oregon taxes any remaining gain as ordinary income at rates from 4.75% to 9.9%, with no preferential long-term capital gains rate at the state level. Portland Metro sellers also face a 1% Metro Supportive Housing Services tax and, for Multnomah County residents, a 1.5% Preschool for All tax on higher earners. Sellers with significant equity in the $500K–$3M range should calculate their full tax exposure before listing.

By Pascha Cain, Real Estate Broker | May 28, 2026

BODY

When Portland sellers first learn that Oregon taxes their home sale profit the same way it taxes a paycheck, there's a pause. Then the math kicks in — and for anyone with significant equity in a $700,000 or $1.5M home, this is the number that can reshape the entire decision.

Most articles on this topic stop at the federal exclusion and call it done. This one won't. Here's how the full tax picture stacks up for Portland Metro sellers in 2026 — federal, state, Metro, and county.

THE FEDERAL EXCLUSION: YOUR BIGGEST PROTECTION

The federal government gives homeowners a meaningful tax break when they sell their primary residence. If you've owned and lived in the home for at least two of the five years before the sale, you may exclude:

• $250,000 of gain if you're a single filer
• $500,000 of gain if you're married filing jointly

This exclusion doesn't appear automatically — you'll claim it on your federal tax return. But for most long-term Portland homeowners, it wipes out a large portion of taxable gain.

Here's an illustration. Say you bought your home in Forest Heights for $550,000 in 2018 and you're selling it in 2026 for $950,000. Your gain is $400,000. As a married couple, you exclude $500,000 — which covers the entire gain. Federal capital gains tax: $0.

But what if you're single, or your gain exceeds the exclusion?

On the federal side, long-term capital gains (on property held more than one year) are taxed at preferential rates — 0%, 15%, or 20% depending on your total income for the year. For most Portland sellers, that rate is 15%.

If you're single and your gain is $350,000, you'd subtract the $250,000 exclusion, leaving $100,000 of federally taxable gain. At 15%, that's $15,000 in federal tax.

That's the baseline. Here's where Portland gets complicated.

OREGON'S TAX TREATMENT: NO PREFERENTIAL RATE

This is the piece most sellers miss.

Oregon does not have a separate, preferential capital gains rate the way the federal government does. Oregon taxes capital gains as ordinary income — the same brackets that apply to your salary, your retirement distributions, and your business income.

Oregon's income tax brackets for 2026 run from 4.75% to 9.9%. Most Portland homeowners in the $500K–$3M home price range — executives, investors, and dual-income households — land at or near the top bracket.

Using the same example: $100,000 of taxable gain in Oregon at 9.9% = $9,900 in Oregon state income tax, on top of your federal bill.

And if that gain pushes your total income further into higher brackets for the year, your effective rate climbs. This is why the timing of a sale — specifically, what else you're earning in that tax year — matters more in Oregon than in most states. Selling in a year when your other income is lower (a gap year, an early retirement year, a sabbatical) can meaningfully reduce your state tax exposure.

This is also where sellers with homes in the West Hills, Northwest Heights, Lake Oswego, or West Linn price ranges — often $800,000 to $2.5M+ — need to do the full math before they list.

The equity is real. The tax exposure is real too.

I walk my sellers through this calculation before we ever set a price. Not because I'm a CPA — I'll always say: talk to your tax advisor for your specific numbers — but because understanding your tax picture before you go to market is part of building the right strategy.

THE PORTLAND-SPECIFIC LAYER: METRO SHS AND MULTNOMAH PFA

If you live and sell within the Portland Metro area, two additional income-based taxes apply.

Metro Supportive Housing Services Tax

The Metro SHS tax is a 1% levy on income above $128,000 for single filers and $205,000 for joint filers (2026 inflation-adjusted thresholds — a new adjustment that began this tax year). It applies to Oregon taxable income, which includes your capital gains from a home sale.

If your gain pushes your total income over those thresholds, the gain above the cutoff is subject to this additional 1%.

Multnomah County Preschool for All Tax

Multnomah County has its own separate tax: 1.5% on income above $125,000 for single filers and $200,000 for joint filers.

If you live in Multnomah County — which includes Portland proper and parts of Gresham and Troutdale — this stacks on top of the Metro SHS tax.

Here's what the combined picture looks like for a single filer in Portland selling a home with $300,000 of taxable gain (after the federal primary residence exclusion):

• Federal capital gains tax (15%): ~$45,000
• Oregon income tax (9.9%): ~$29,700
• Metro SHS tax (~1% on gain over $128K): ~$1,720
• Multnomah County PFA (~1.5% on gain over $125K): ~$2,625
• Total tax exposure: approximately $79,000

Your actual number will differ based on your income for the year, filing status, available deductions, and specific gain calculation. But the magnitude is why this conversation needs to happen before you sign a listing agreement — not at the closing table.

For reference: sellers in Washington County (Beaverton, Cedar Mill, Bethany, Hillsboro) fall under Metro SHS but not Multnomah PFA. Washington County sellers also pay a small transfer tax of $1 per $1,000 of sale price, typically split between buyer and seller — but that's a separate and much smaller line item.

WHAT REDUCES YOUR TAXABLE GAIN

Your taxable gain isn't simply sale price minus purchase price. There are legitimate deductions that can meaningfully reduce your exposure.

You can subtract from your gain:

• Your original purchase price (including closing costs paid at purchase that weren't deducted at the time)
• Capital improvements made during ownership — a kitchen renovation, a new roof, a finished basement, ADU construction. Lasting, structural improvements increase your cost basis. Routine maintenance and repairs don't count. Keep your receipts and invoices.
• Selling costs — real estate commissions, title fees, escrow fees, and other direct costs of the sale

If you've owned your Portland home for ten or more years and invested in renovations along the way, these deductions can significantly reduce your tax exposure. For a complete breakdown of the costs that reduce your sale proceeds at closing, see the Portland seller's guide to calculating your net proceeds. [Link to live blog URL when published]

INVESTMENT PROPERTIES, SECOND HOMES, AND NON-RESIDENTS

If the property you're selling is not your primary residence — a rental, an investment property, or a second home — the federal primary residence exclusion doesn't apply. You'll owe capital gains on the full profit. You may also owe depreciation recapture tax on any deductions claimed during ownership, taxed as ordinary income at the federal level.

For investment property sellers in Portland, a 1031 exchange is worth discussing with a qualified intermediary before you list. A 1031 allows you to defer capital gains by rolling your sale proceeds into a like-kind replacement property within strict timelines: you must identify replacement properties within 45 days of closing, and complete the exchange within 180 days.

Non-resident sellers — owners who live outside Oregon but are selling Oregon property — face an additional requirement. Oregon requires the buyer's closing agent to withhold 8% of the gross sale price at closing (Form OR-18-WC) unless the seller files for a withholding exemption certificate at least seven business days before closing. If you own Portland real estate from out of state, handle this proactively — the withholding can be significantly larger than your actual tax liability.

THE BOTTOM LINE FOR PORTLAND SELLERS

Tax is one of the most underestimated variables in a Portland Metro home sale, especially for sellers with long-term equity in the $700,000–$3M range. The combination of Oregon's ordinary income treatment, Metro SHS, and Multnomah County PFA creates a layered tax picture that's materially different from what you'd face in most states — and one that varies significantly based on your income for the year, your filing status, and how long you've owned the home.

The right move is to run your numbers with a CPA or tax advisor before you list — not after you've accepted an offer.

And the right strategic move is to factor taxes into your net proceeds calculation before you set your asking price. That's how you make a confident decision — not a surprised one.

FREQUENTLY ASKED QUESTIONS

Do I have to pay capital gains tax when I sell my primary home in Portland, Oregon?

Most homeowners who've lived in their home for at least two of the last five years qualify for the federal primary residence exclusion — $250,000 for single filers, $500,000 for married couples filing jointly. If your gain is below that threshold, you owe no federal capital gains tax. However, any gain above the exclusion is taxed as ordinary income in Oregon (rates up to 9.9%), and Portland Metro sellers may also owe Metro SHS and Multnomah County PFA taxes on the excess.

How does Oregon tax capital gains on home sales?

Oregon does not have a preferential capital gains rate. Any taxable gain from your home sale is added to your other income for the year and taxed at Oregon's standard income tax rates, which range from 4.75% to 9.9%. This differs from the federal system, which offers preferential 0%, 15%, or 20% long-term capital gains rates. Oregon's treatment means your total income for the year — salary, retirement income, and home sale gain combined — determines your effective rate.

What is the Metro SHS tax and does it apply to home sales in Portland?

The Metro Supportive Housing Services tax is a 1% levy on income above $128,000 for single filers and $205,000 for joint filers (2026 inflation-adjusted thresholds). Capital gains from a home sale count as income in Oregon, so if your gain pushes your total income over those thresholds, that portion is subject to the Metro SHS tax. The tax applies to residents of the greater Portland Metro area, which covers Multnomah, Washington, and Clackamas counties.

Can I deduct home improvements from my capital gains when selling?

Yes. Capital improvements made during your ownership — kitchen renovations, room additions, new roofing, ADU construction — increase your cost basis and reduce your taxable gain. Routine maintenance and repairs typically don't qualify. Keep documentation of all improvements throughout your ownership. Your selling costs, including real estate commissions, title fees, and escrow fees, are also deductible from your gain calculation.

What happens with capital gains if I'm selling a rental property in Portland?

Rental and investment properties don't qualify for the primary residence exclusion, so you'll owe capital gains on the full profit. You may also owe depreciation recapture tax on deductions taken during ownership. A 1031 exchange is one strategy to defer these taxes by rolling proceeds into a replacement investment property — but strict 45-day identification and 180-day closing timelines apply. Consult a qualified CPA or 1031 exchange intermediary before selling.

CLOSING CTA

Understanding your full tax picture is one of the most important pre-listing steps — and one that's easy to skip until it's too late to plan around it. If you're thinking through a Portland Metro home sale, I'm happy to connect you with the right questions to bring to your tax advisor and walk you through the strategic side of the equation.

Thinking of Buying or Selling? Schedule a Free Consultation →
https://pascharealty.com/contact/

AUTHOR BIO

About Pascha Cain, Real Estate Broker
Pascha Cain is a Portland Metro Real Estate Broker, Investor, and Licensed General Contractor and a former Nike/Adidas global executive. She works with visionary sellers and buyers who know that strategy and marketing win in real estate. Connect with Pascha at
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