Capital gain refers to the profit earned from the sale or transfer of capital assets such as stocks, bonds, real estate, or other investments. It represents the difference between the sale price (proceeds) and the purchase price (cost basis) of the asset.

1. Types of Capital Gains:
   - Short-term Capital Gain: Capital gain arising from the sale or transfer of a capital asset held for a short period, typically one year or less.
   - Long-term Capital Gain: Capital gain arising from the sale or transfer of a capital asset held for more than a specified period, usually one year or more.

2. Tax Treatment:
   - Short-term Capital Gain: Short-term capital gains are taxed at the taxpayer's ordinary income tax rates, which are typically higher than long-term capital gains tax rates.
   - Long-term Capital Gain: Long-term capital gains are taxed at preferential rates, which are typically lower than ordinary income tax rates. The specific tax rates for long-term capital gains may vary depending on the type of asset and the taxpayer's income level.

3. Calculation:
   - Capital Gain = Sale Price - Cost Basis
   - Sale Price: The amount received from the sale or transfer of the capital asset.
   - Cost Basis: The original purchase price of the asset, adjusted for any expenses incurred in acquiring or improving the asset (such as brokerage fees, commissions, and renovation costs).

4. Exclusions and Exemptions:
   - Certain types of capital gains may be eligible for exclusions or exemptions from taxation under specific circumstances. For example:
     - Sale of primary residence: Taxpayers may be eligible for a capital gains exclusion on the sale of their primary residence if certain conditions are met.
     - Qualified small business stock: Gains from the sale of qualified small business stock may be eligible for partial or full exclusion from taxation.
     - Like-Kind Exchanges: Gains from like-kind exchanges of certain types of property may be deferred under certain conditions.

5. Capital Losses:

- Capital losses occur when the sale price of a capital asset is less than its cost basis.
- Capital losses can be used to offset capital gains in the same tax year, reducing the overall tax liability.
- If capital losses exceed capital gains in a tax year, taxpayers can use the excess losses to offset other types of income, subject to certain limitations.

6. Tax Filing:
   - Taxpayers must report capital gains and losses on their income tax returns using Schedule D (Form 1040) or an equivalent form.
   - They must provide details of each capital asset sold or transferred during the tax year, including the sale price, cost basis, holding period, and type of gain or loss (short-term or long-term).

7. Tax Planning:
   - Taxpayers can engage in tax planning strategies related to capital gains, such as timing sales to optimize tax outcomes, utilizing tax-deferred investment accounts, and taking advantage of available exclusions and exemptions.

8. Investment Strategies:
   - Investors may consider various investment strategies to minimize capital gains tax liabilities, such as tax-loss harvesting, holding assets for the long term to qualify for lower tax rates, and diversifying investments to spread tax liabilities.