



## Help! I Sold My House!!

Selling your home is a major life event. You may have lived there 30+ years or only a few months, but it is traumatic nevertheless. Let's look at a few of the things you'll need to know when preparing your taxes after a home sale.

First, let's do away with the continuing myth that you must re-invest the proceeds of your home into another house to avoid taxes on the gain. This was true many decades ago. The current law says that you may exclude gains as follows:

- For Married Filing Jointly (MFJ), you may exclude up to \$500,000 in capital gain.
- For all other filing statuses, you may exclude up to \$250,000.

There are several criteria that you must meet to exclude these amounts. The basic criteria are:

- You must have lived in the home as your primary residence for 2 of the previous 5 years (ending on the date of the sale)
- Your spouse, if married, must have lived in the home for 2 of the previous 5 years
- You must not have excluded the gain from a previous home sale within 2 years of selling this home
- Your spouse, if married, must not have excluded the gain from a previous home sale within 2 years of this sale

These are the initial questions. As is always true, there are exceptions for persons who were widowed, members of the armed forces, and employees of certain other government organizations. Also, if the home was used as a rental property or home office or by someone other than you or your spouse (children, grandchildren, etc.), there may be a reduction of the amount you can exclude based on that use. Check with your Tax Advisor for more information on this.

So how is the gain determined? Basically, you will need to provide the following information to your return preparer:

- The date and purchase price of the home and land (the closing documents will provide this and other needed information)
- The date and sale price of the home and land (the closing documents will provide this and other needed information)
- Any costs of improvements to the home (remodels or renovations, but not basic repairs)
- Any other pertinent information as needed by your preparer.

This is a very brief explanation of the rules for sale of a personal residence. As always, there may be extenuating circumstances that will allow, or possibly negate, the exclusion of a gain. For more information, contact your Tax Advisor.

*The information contained within this White Paper is provided for informational purposes only and is not intended to substitute for obtaining accounting, tax, or financial advice from a professional accountant.*