

Ten Tax Tips for Individuals Selling Their Home

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The Internal Revenue Service has some important information to share with individuals who have sold or are about to sell their home. If you have a gain from the sale of your main home, you may qualify to exclude all or part of that gain from your income. Here are ten tips from the IRS to keep in mind when selling your home.

1. In general, you are eligible to exclude the gain from income if you have owned and used your home as your main home for two years out of the five years prior to the date of its sale.
2. If you have a gain from the sale of your main home, you may be able to exclude up to \$250,000 of the gain from your income (\$500,000 on a joint return in most cases).
3. You are not eligible for the exclusion if you excluded the gain from the sale of another home during the two-year period prior to the sale of your home.
4. If you can exclude all of the gain, you do not need to report the sale on your tax return.
5. If you have a gain that cannot be excluded, it is taxable. You must report it on Form 1040, Schedule D, Capital Gains and Losses.
6. You cannot deduct a loss from the sale of your main home.
7. Worksheets are included in Publication 523, Selling Your Home, to help you figure the adjusted basis of the home you sold, the gain (or loss) on the sale, and the gain that you can exclude.
8. If you have more than one home, you can exclude a gain only from the sale of your main home. You must pay tax on the gain from selling any other home. If you have two homes and live in both of them, your main home is ordinarily the one you live in most of the time.
9. If you received the first-time homebuyer credit and within 36 months of the date of purchase, the property is no longer used as your principal residence, you are required to repay the credit. Repayment of the full credit is due with the income tax return for the year the home ceased to be your principal residence, using Form 5405, First-Time Homebuyer Credit and Repayment of the Credit. The full amount of the credit is reflected as additional tax on that year's tax return.
10. When you move, be sure to update your address with the IRS and the U.S. Postal Service to ensure you receive refunds or correspondence from the IRS. Use Form 8822, Change of Address, to notify the IRS of your address change.

For more information about selling your home, see IRS Publication 523, Selling Your Home. This publication is available at www.irs.gov or by calling 800-TAX-FORM (800-829-3676).