

TAX TIPS FOR HOME SELLERS

As the housing recovery begins to pick up steam, some home sellers will have gains on the sale of their homes for the first time in nearly a decade. The good news is that the tax code recognizes the importance of home ownership by providing certain tax breaks when you sell your home.

THE MOST IMPORTANT THING TO KNOW when selling your home is that your sale qualifies for an exclusion of \$250,000 gain (\$500,000 if married filing jointly) if you owned the home and used it as your main home during 2 of the last 5 years before the sale and you have not claimed any exclusion for the sale of another home within the last 2 years.

The 24 months of residence can fall anywhere within the 5-year period. It doesn't even have to be a single block of time. All you need is a total of 24 months (730 days) of residence during the 5-year period.

POINTS/HOME IMPROVEMENTS/ MOVING & PROPERTY TAX DEDUCTIONS

IF YOU HAVE TO SELL YOUR HOUSE because you're relocating for work, you might be able to deduct some of your moving expenses. Deductions could include transportation costs, travel to the new place, storage costs and lodging costs.

YOU CAN DEDUCT YOUR PROPERTY TAXES for the portion of the year that you owned the home—up to the date of the sale.

SOMETIMES YOU NEED TO IMPROVE YOUR HOME to get it sold. If you make home improvements that help sell your home, and if they are made within 90 days of the closing, they may be considered selling costs, which could be deductible.

IF YOU PAID POINTS TO LOWER YOUR INTEREST RATE when you refinanced your home, you might qualify for an additional deduction. Because you can deduct a proportional share of the points until the loan is paid, when you pay off the loan through a sale, you can deduct the remaining value of those points.

ADDITIONAL TIPS

IF YOU DON'T QUALIFY for the Section 121 exclusion (left), you will owe taxes on any profit, so make sure you deduct all your selling costs from your gain. Some of the selling costs could include:

- Your real estate agent's commission
- Legal fees
- Title insurance
- Inspection fees
- Advertising costs
- Escrow fees
- Legal fees

CALCULATION

$$\begin{array}{r} \text{SELLING PRICE} \\ - \text{SELLING EXPENSES} \\ \hline \text{AMOUNT REALIZED} \\ - \text{ADJUSTED BASIS} \\ \hline \text{GAIN OR LOSS} \end{array}$$

REPORTING REQUIREMENTS

YOU NEED TO REPORT THE GAIN IF:

- 1 You have a taxable gain on your home sale and do not qualify to exclude the sale.
- 2 You received Form 1099-S. If so, you must report the sale even if you have no taxable gain to report.
- 3 You wish to report your gain as a taxable gain because you plan to sell another property that qualifies as a home within the next two years, and that property is likely to have a larger gain.