

SELLING YOUR HOME – IS YOUR TAX STRATEGY STILL STUCK IN THE 80'S?

By: HELEN A. FLOROS, CPA

The rules regarding recognizing a gain on the sale of a home changed May 7, 1997 but some people still think the old rules apply...

Previously, if you replaced your home within 2 years with a home that cost at least as much as the old one or you were over 55 years old and could use the once in a lifetime exemption of \$125,000, you wouldn't have to pick up the gain on the sale of your home.

Now, the once in a life time exclusion is replaced with a per-sale exclusion (\$250,000 for single filers and \$500,000 for joint returns) at any age. Also, you don't have to replace the house with a new house. The house you sold must have been your main home for at least two out of the five years before the date of sale. Exceptions to ownership and use rules relate to persons with a disability, to certain members of the military and certain government and Peace Corps workers.

Other items to note:

- You must report the sale on your tax return if you are issued a Form 1099-S (Proceeds from Real Estate Transactions), can't exclude all or part of the gain or choose not to claim the exclusion. Generally, you can exclude the gain from the sale of your main home only once every two years.
- If you own more than one home, you may only exclude the gain on the sale of your **main** home. Your main home usually is the home that you live in most of the time.
- If you claimed the first-time homebuyer credit when you bought the home, special rules apply to the sale.
- If you sell your main home at a loss, you can't deduct the loss.
- After you sell your home and move, be sure to give your new address to the IRS by filing [Form 8822](#), Change of Address.



If your situation is complicated because you own multiple homes or maybe have divorce or separation issues, please consider discussing the situation with your Account Manager or [Helen Floros, CPA](#), at (314) 205-2510 or via email at hfloros@connerash.com.

Time to go through your closet and donate those 80's clothes with the big shoulder pads?