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Top 10 Tax Tips for Home Selling

If you make money selling your home, you need to remember the tax implication of your sale. Generally you would be required to pay the capital gains tax. However, there are occasions you may be able to exclude your gains from your income. In view of this, the IRS has put out the top ten tips for selling your home.

1. You can exclude the gain from your income if you the house you sold was your main home for two out of the five years prior to the sale.
2. The amount you may be able to exclude comes up to \$250,000 of the gain from your income (\$500,000 on a joint return in most cases).
3. But you cannot apply for exclusion if you have already done so for 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. The exclusion of gain only applies to the sale of your main home. You must pay capital gains tax on the gain from the sale of any other home. If you own two or more homes and live in all of them, then your main home is taken to be the one you live in most of the time.
6. If you cannot exclude the gain, then you must pay capital gains tax by filling up Form 1040, Schedule D, Capital Gains and Losses.
7. If you made a loss, you cannot deduct it from the sale of your main home.

8. If you bought a home and enjoyed the first-time homebuyer credit but within 3 years of the date of purchase, you do not use the home as your principal residence anymore, you must repay the credit. You need to fill Form 5405, First-Time Homebuyer Credit and Repayment of the Credit. The credit is reflected as additional tax on that year's tax return.

9. You can avail yourself to worksheets in Publication 523, Selling Your Home, to help you calculate the adjusted basis of the home you sold, the gain (or loss) on the sale, and the gain that you can exclude.

10. If you move house, remember to update your address with the IRS so that you receive refunds or correspondence from the IRS.

You are required to fill Form 8822, Change of Address to notify the IRS of your change of address.