



**September 3, 2011**

## 10 IRS Tips for Home Sellers (and Home Buyers)

If you are selling your home (or intending to sell it), you should pay attention to what the IRS says. It might save you some money on property gains taxes. Just last week the IRS released “Ten Tax Tips for Individuals Selling Their Home”.

1. In general, you are exempted from property gains tax if the house you sold was owned and used as your main home for at least two years out of the five years prior to the date of its sale.
2. Up to the first \$250,000 (\$500,000 on a joint return in most cases) of the gain you derive from the sale of your home may be excluded.
3. But this exemption only applies to one home. This means if you excluded the gain from the sale of another home during the two-year period prior to the sale of your home then you are not eligible any more on the sale of your next home (see tip #8 below).
4. If you are eligible for exemption from tax on the gain, you do not need to report the sale on your tax return.
5. On the flip side, if you are taxable on property gain, you must report your sale by filling up Form 1040, Schedule D, Capital Gains and Losses.
6. If you made a loss on the sale of your home, you are not eligible to deduct that loss from your taxes.

7. In Publication 523, Selling Your Home you will find worksheets 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 from tax.

8. If you own and sell more than one home, you are eligible to exclude a gain only from the sale of your main home. Other than that, all capital gains taxes must be paid on the sale of any other home. If you have two homes and live in both of them, your main home is taken to be the one you live in most of the time.

9. If you bought a house and successfully claimed the first-time homebuyer credit but within 36 months of buying your home, you ceased living there as your principal residence, then you are required to repay the credit. You should repay the full credit along with the income tax return for the year the home ceased to be your principal residence. To do so, use Form 5405, First-Time Homebuyer Credit and Repayment of the Credit. The full amount of the credit will be taken as additional tax on that year's tax return.

10. Purchasing your own home generally results in changing your address. If you have done so, you need to update your address with the IRS using Form 8822, Change of Address. You should also inform the US Postal Service to ensure you receive refunds or correspondence from the IRS.