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## 10 TIPS ON EXCLUDING GAIN FROM THE SALE OF YOUR HOME

By Victor Sy, CPA

1. **Amount of exclusion.** When you have gain from the sale of your home, you may be able to exclude up to \$250,000 of the gain from your income. The exclusion amount is \$500,000 for taxpayers filing a joint return.
2. **Ownership test.** To claim the exclusion, you must have owned the home for at least two years during the five year period ending on the date of the sale.
3. **Use test.** You also must have lived in the house and used it as your main home for at least two years during the five year period ending on the date of the sale.
4. **If you fail these tests.** If you can't meet these tests, don't give up. Work out a *reduced exclusion*. The reduced exclusion is available only if *any* of the following is true:
  - A. Change of job location,
  - B. Health considerations,
  - C. Unforeseen circumstances (includes foreclosure or voluntary conveyance).
5. **When not to report.** If you are able to exclude all of the gain from the sale of your home, you do not need to report the sale on your federal income tax return.
6. **Consider reporting your gain,** even if under the gain exclusion limits of \$250,000/\$500,000. This reduces your audit profile. You will not pay any capital gains tax anyway.
7. **How to report taxable gain.** If you have gain which cannot be excluded, it is taxable and must be reported on your tax return using Schedule D.
8. **Deducting a loss.** You cannot deduct a loss from the sale of your home.
9. **Jointly-owned home.** If you sell a jointly owned home which is the principal residence of two (or more) single owners, each owner may exclude \$250,000.
10. **Rules for multiple homes.** If you have more than one home, you may only exclude gain from the sale of your main home and must pay tax on the gain resulting from the sale of any other home. Your main home is generally the one you live in most of the time.