JOHN B. GOLDHAMER, MBA, J.D. Equivalent
Glen Allen, Virginia
www.LinkedIn.com/in/JohnGoldhamer
www.JohnGoldhamer.com

I can *Hammer out* any Problem!

John B. Goldhamer is an *"Authored Tax Law Expert"* with *Education and Experience in all Business Disciplines*, including J.D. Equivalent Legal Education, Finance, Marketing, MBA, Accounting, and Information Systems.
John's *Free* Position Papers are *Educational, Entertaining, and Empowering* that provide definitions, procedures, website links for cross reference, and a Table of Contents for easy review.

SELLING A HOME REQUIREMENTS, EXEMPTIONS, AND TAX

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Fees and Closing Costs Some settlement fees and closing costs you *can include* in your basis are:

- Abstract fees (abstract of title fees),
- Charges for installing utility services,
- Legal fees (including fees for the title search and preparing
- the sales contract and deed),
- Recording fees,
- Survey fees,
- Transfer or stamp taxes, and
- Owner's title insurance.

Some settlement fees and closing costs you *can't include* in your basis are:

- Fire insurance premiums,
- Rent for occupancy of the house before closing,
- Charges for utilities or other services related to occupancy of the house before closing,
- Any fee or cost that you deducted as a moving expense (allowed before 1994),
  In 2018 Tax Cuts & Jobs Act eliminated Moving Expenses except *military orders.*

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DEFINITIONS

The Real Estate Marketplace Glossary: How to Talk the Talk, by The Federal Trade Commission
https://www.ftc.gov/sites/default/files/documents/one-stops/real-estate-competition/realestateglossary.pdf

Appraisal - A professional analysis used to estimate the value of the property. This includes examples of sales of similar properties.

Appraiser - A professional who conducts an analysis of the property, including examples of sales of similar properties in order to develop an estimate of the value of the property. The analysis is called an "appraisal."

Appreciation - An increase in the market value of a home due to changing market conditions and/or home improvements.

Assessed Value - Typically the value placed on property for the purpose of taxation [by county, city, or local government]

Assessor - A public official who establishes the value of a property for taxation purposes.

Assignment of Mortgage - A document evidencing the transfer of ownership of a mortgage from one person to another.

Assumable Mortgage - A mortgage loan that can be taken over (assumed) by the buyer when a home is sold. An assumption of a mortgage is a transaction in which the buyer of real property takes over the seller's existing mortgage; the seller remains liable unless released by the lender from the obligation. If the mortgage contains a due-on-sale clause, the loan may not be assumed without the lender's consent.

Assumption - A homebuyer's agreement to take on the primary responsibility for paying an existing mortgage from a home seller.

Assumption Fee - A fee a lender charges a buyer who will assume the seller's existing mortgage.

Broker - An individual or firm that acts as an agent between providers and users of products or services, such as a mortgage broker or real estate broker. See also "Mortgage Broker."

Building Code - Local regulations that set forth the standards and requirements for the construction, maintenance and occupancy of buildings. The codes are designed to provide for the safety, health and welfare of the public.

Certificate of Eligibility - A document issued by the U.S. Department of Veterans Affairs (VA) certifying a veteran's eligibility for a VA-guaranteed mortgage loan.

Certificate of Occupancy - A document issued by a local building or zoning authority to the owner of premises attesting that the premises have been built and maintained according to the provisions of building or zoning ordinances, such as the number of fire exits or the safety of electrical wiring. A certificate of occupancy is evidence the building complies with the plans and specifications that have been submitted to, and approved by, the local authority. *West's Encyclopedia of American Law*

Chain of Title - The history of all of the documents that have transferred title to a parcel of real property, starting with the earliest existing document and ending with the most recent.

Clear Title - Ownership that is free of liens, defects, or other legal encumbrances.

Closing - The process of completing a financial transaction. For mortgage loans, the process of signing mortgage documents, disbursing funds, and, if applicable, transferring ownership of the property. In some jurisdictions, closing is referred to as "escrow," a process by which a buyer and seller deliver legal documents to a third party who completes the transaction in accordance with their instructions. See also "Settlement."

Closing Agent - The person or entity that coordinates the various closing activities, including the preparation and recordation of closing documents and the disbursement of funds. (May be referred to as an escrow agent or settlement agent in some jurisdictions.) Typically, the closing is conducted by title companies, escrow companies or attorneys.

Closing Costs - The upfront fees charged in connection with a mortgage loan transaction. Money paid by a buyer (and/or seller or other third party, if applicable) to effect the closing of a mortgage loan, generally including, but not limited to a loan origination fee, title examination and insurance, survey, attorney's fee, and prepaid items, such as escrow deposits for taxes and insurance.

Closing Date - The date on which the sale of a property is to be finalized and a loan transaction completed. Often, a real estate sales professional coordinates the setting of this date with the buyer, the seller, the closing agent, and the lender.

Closing Statement - See "HUD-1 Settlement Statement."

Commission - The fee charged for services performed, usually based on a percentage of the price of the items sold (such as the fee a real estate agent earns on the sale of a house).

Comparables - An abbreviation for "comparable properties," which are used as a comparison in determining the current value of a property that is being appraised.

Concession - Something given up or agreed to in negotiating the sale of a house. For example, the sellers may agree to help pay for closing costs.

Condominium - A unit in a multiunit building. The owner of a condominium unit owns the unit itself and has the right, along with other owners, to use the common areas but does not own the common elements such as the exterior walls, floors and ceilings or the structural systems outside of the unit; these are owned by the condominium association. There are usually condominium association fees for building maintenance, property upkeep, taxes and insurance on the common areas and reserves for improvements.

Contingency - A condition that must be met before a contract is legally binding. For example, home purchasers often include a home inspection contingency; the sales contract is not binding unless and until the purchaser has the home inspected.

Conventional Mortgage - A mortgage loan that is not insured or guaranteed by the federal government or one of its agencies, such as the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), or the Rural Housing Service (RHS). Contrast with "Government Mortgage."

Counter-offer - An offer made in response to a previous offer. For example, after the buyer presents their first offer, the seller may make a counter-offer with a slightly higher sale price.

Credit Life Insurance - A type of insurance that pays off a specific amount of debt or a specified credit account if the borrower dies while the policy is in force.

Credit Report - Information provided by a credit bureau that allows a lender or other business to examine your use of credit. It provides information on money that you've borrowed from credit institutions and your payment history.

Credit Score - A numerical value that ranks a borrower's credit risk at a given point in time based on a statistical evaluation of information in the individual's credit history that has been proven to be predictive of loan performance. [FICO is the most common]

Deed - The legal document transferring ownership or title to a property

Deed-in-Lieu of Foreclosure - The transfer of title from a borrower to the lender to satisfy the mortgage debt and avoid foreclosure. Also called a "voluntary conveyance."

Deed of Trust - A legal document in which the borrower transfers the title to a third party (trustee) to hold as security for the lender. When the loan is paid in full, the trustee transfers title back to the borrower. If the borrower defaults on the loan the trustee will sell the property and pay the lender the mortgage debt.

Depreciation - A decline in the value of a house due to changing market conditions or lack of upkeep.

Down Payment - A portion of the price of a home, usually between 3 - 20%, not borrowed and paid up-front in cash. Some loans are offerend with zero down payment.

Easement - A right to the use of, or access to, land owned by another [such as a utility easement].

Encumbrance - Any claim on a property, such as a lien, mortgage or easement.

Equity - The value in your home above the total amount of the liens against your home. If you owe $100,000 on your house but it is worth $130,000, you have $30,000 of equity.

Escrow - An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the deposit by a borrower with the lender of funds to pay taxes and insurance premiums when they become due, or the deposit of funds or documents with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate.

Exclusive Right-to-Sell Listing - The traditional kind of listing agreement under which the property owner appoints a real estate broker (known as the listing broker) as exclusive agent to sell the property on the owner's stated terms, and agrees to pay the listing broker a commission when the property is sold, regardless of whether the buyer is found by the broker, the owner or another broker. This is the kind of listing agreement that is commonly used by a listing broker to provide the traditional full range of real estate brokerage services. If a second real estate broker (known as a selling broker) finds the buyer for the property, then some commission will be paid to the selling broker.

Exclusive Agency Listing - A listing agreement under which a real estate broker (known as the listing broker) acts as an exclusive agent to sell the property for the property owner, but may be paid a reduced or no commission when the property is sold if, for example, the property owner rather than the listing broker finds the buyer. This kind of listing agreement can be used to provide the owner a limited range of real estate brokerage services rather than the traditional full range. As with other kinds of listing agreements, if a second real estate broker (known as a selling broker) finds the buyer for the property, then some commission will be paid to the selling broker.

Executor - A person named in a will and approved by a probate court to administer the deposition of an estate in accordance with the instructions of the will.

Fair Market Value - The price at which property would be transferred between a willing buyer and willing seller, each of whom has a reasonable knowledge of all pertinent facts and is not under any compulsion to buy or sell.

Fannie Mae - A New York Stock Exchange Company. It is a public company that operates under a federal charter and is the nation's largest source of financing for home mortgages. Fannie Mae does not lend money directly to consumers, but instead works to ensure that mortgage funds are available and affordable, by purchasing mortgage loans from institutions that lend directly to consumers.

Federal Housing Administration (**FHA**) - An agency within the U.S. Department of Housing and Urban Development (HUD) that insures mortgages and loans made by private lenders.

Federal Form 1099-S, entitled, *Proceeds From Real Estate Transactions*, is issued by the person responsible for closing the real estate transaction, which is the Settlement Agent listed in the *HUD-1, Settlement Statement* and is generally an Attorney, Escrow Company, or Title Company. The purpose is to ensure that sellers are reporting their full amount of capital gains on each year's tax return and paying the appropriate taxes.

FHA-Insured Loan - A loan that is insured by the Federal Housing Administration (FHA) of the U.S. Department of Housing and Urban Development (HUD).

Flood Certification Fee - A fee charged by independent mapping firms to identify properties located in areas designated as flood zones.

Flood Insurance - Insurance that compensates for physical property damage resulting from flooding. It is required for properties located in federally designated flood hazard zones.

Foreclosure - A legal action that ends all ownership rights in a home when the homebuyer fails to make the mortgage payments or is otherwise in default under the terms of the mortgage.

Gain - The excess of the amount realized over the adjusted basis of the property.

Good-Faith Estimate - A form required by the Real Estate Settlement Procedures Act (RESPA) that discloses an estimate of the amount or range of charges, for specific settlement services the borrower is likely to incur in connection with the mortgage transaction.

Government National Mortgage Association (**Ginnie Mae**) - A government-owned corporation within the U.S. Dept. of Housing and Urban Development (HUD) that guarantees securities backed by mortgages are insured or guaranteed by other government agencies. Popularly known as *Ginnie Mae*

Hazard Insurance - Insurance coverage that compensates for physical damage to a property from fire, wind, vandalism, or other covered hazards or natural disasters.

Home Equity Line of Credit (**HELOC**) - A type of revolving loan that enables a home owner to obtain multiple advances of the loan proceeds at his or her own discretion, up to an amount that represents a specified percentage of the borrower's equity in the property.

Home Inspection - A professional inspection of a home to determine the condition of the property. The inspection should include an evaluation of the plumbing, heating and cooling systems, roof, wiring, foundation and pest infestation.

Homeowner's Insurance - A policy that protects you and the lender from fire or flood, which damages the structure of the house; a liability, such as an injury to a visitor to your home; or damage to your personal property, such as your furniture, clothes or appliances.

HUD-1 Settlement Statement - A final listing of the closing costs of the mortgage transaction. It provides the sales price and down payment, as well as the total settlement costs required from the buyer and seller.

Judgment Lien - A lien on the property of a debtor resulting from the decree of a court.

Lease-Purchase Option - An option sometimes used by sellers to rent property to a consumer, who has the option to buy the home within a specified period of time. Typically, part of each rental payment is put aside for the purpose of accumulating funds to pay the down payment and closing costs.

Liability Insurance - Insurance coverage that protects property owners against claims of negligence, personal injury or property damage to another party.

Lien - A claim or charge on property for payment of a debt. With a mortgage, the lender has the right to take the title to your property if you don't make the mortgage payments.

Loss - The excess of the adjusted basis over the amount realized for the property.

Market Value - The current value of your home based on what a purchaser would pay. An appraisal is sometimes used to determine market value.

Mortgage - A loan using your home as collateral. In some states the term mortgage is also used to describe the document you sign (to grant the lender a lien on your home). It also may be used to indicate the amount of money you borrow, with interest, to purchase your house. The amount of your mortgage often is the purchase price of the home minus your down payment.

Mortgage Insurance (MI) - Insurance that protects lenders against losses caused by a borrower's default on a mortgage loan. MI typically is required if the borrower's down payment is less than 20 percent of the purchase price.

Mortgagee - The institution or individual to whom a mortgage is given.

Mortgagor - The owner of real estate who pledges property as security for the repayment of a debt; the borrower.

Multiple Listing Service (MLS) - A clearinghouse through which member real estate brokerage firms regularly and systematically exchange information on listings of real estate properties and share commissions with members who locate purchasers. The MLS for an area is usually operated by the local, private real estate association as a joint venture among its members designed to foster real estate brokerage services.

Offer - A formal bid from the home buyer to the home seller to purchase a home.

Open House - When the seller's real estate agent opens the seller's house to the public. You don't need a real estate agent to attend an open house.

Origination Fee - A fee paid to a lender or broker to cover the administrative costs of processing a loan application. The origination fee typically is stated in the form of points. One point is one percent of the mortgage amount.

Power of Attorney - A legal document that authorizes another person to act on one's behalf. A power of attorney can grant complete authority or can be limited to certain acts and/or periods of time.

Principal - The amount of money borrowed or the amount of the loan that has not yet been repaid to the lender. This does not include the interest you will pay to borrow that money. The principal balance (sometimes called the outstanding or unpaid principal balance) is the amount owed on the loan minus the amount you've repaid.

Private Mortgage Insurance - Insurance for conventional mortgage loans that protects the lender from loss in the event of default by the borrower. See Mortgage Insurance

Purchase and Sale Agreement - A document that details the price and conditions for a transaction. In connection with the sale of a residential property, the agreement typically would include - information about the property to be sold, sale price, down payment, earnest money deposit, financing, closing date, occupancy date, length of time the offer is valid, and any special contingencies.

Ratified Sales Contract - A contract that shows both you and the seller of the house have agreed to your offer. This offer may include sales contingencies, such as obtaining a mortgage of a certain type and rate, getting an acceptable inspection, making repairs, closing by a certain date, etc.

Real Estate Professional - An individual who provides services in buying and selling homes. The real estate professional is paid a percentage of the home sale price by the seller. Unless you've specifically contracted with a buyer's agent, the real estate professional represents the interest of the seller. Real estate professionals may be able to refer you to local lenders or mortgage brokers, but are generally not involved in the lending process.

Real Estate Settlement Procedures Act (RESPA) - A federal law that requires lenders to provide home mortgage borrowers with information about transaction-related costs prior to settlement, as well as information during the life of the loan regarding servicing and escrow accounts. RESPA also prohibits kickbacks and unearned fees in the mortgage loan business.

Real Property - Land and anything permanently affixed including buildings, fences, trees, and minerals.

Recapture - A situation where a taxpayer must add back a deduction from a previous year to current income. For example Recapture of Depreciation means to include in ordinary income on a tax return.

Recorder - The public official who keeps records of transactions that affect real property in the area. Sometimes known as a "Registrar of Deeds" or "County Clerk."

Recording - The filing of a lien or other legal documents in the appropriate public record.

Refinance - A new mortgage with all or some portion of the proceeds used to pay off prior mortgage.

Replacement Cost - Cost to replace damaged personal property without a deduction for depreciation

Rescission - The cancellation or annulment of a transaction or contract by operation of law or by mutual consent. Borrowers have a right to cancel certain mortgage refinance and home equity transactions within three business days after closing, or for up to three years in certain instances.

Right of First Refusal - A provision in an agreement that requires the owner of a property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

Sale-Leaseback - A transaction in which the buyer leases the property back to the seller for a specified period of time.

Seller Take-Back - An agreement in which the seller of a property provides financing to the buyer for the home purchase. See also “Owner Financing.”

Servicer - A firm that performs servicing functions, including collecting mortgage payments, paying the borrower’s taxes and insurance and generally managing borrower escrow accounts.

Servicing - The tasks a lender performs to protect the mortgage investment, including the collection of mortgage payments, escrow administration, and delinquency management.

Settlement - The process of completing a loan transaction at which time the mortgage documents are signed and then recorded, funds are disbursed, and the property is transferred to the buyer (if applicable). Also called closing or escrow in different jurisdictions. See also “Closing”

Settlement Statement - A document that lists all closing costs on a consumer mortgage transaction.

Survey - A precise measurement of a property by a licensed surveyor, showing legal boundaries of a property and the dimensions and location of improvements.

Taxes and Insurance - Funds collected as part of the borrower’s monthly payment and held in escrow for the payment of the borrower’s, or funds paid by the borrower for, state and local property taxes and insurance premiums.

Termite Inspection - An inspection to determine whether a property has termite infestation or termite damage. In many parts of the country, a home must be inspected for termites before it can be sold.

Title - The right to, and the ownership of, property. A title or deed is sometimes used as proof of ownership of land.

Title Insurance - Insurance that protects lenders and homeowners against legal problems with title.

Title Search - A check of the public records to ensure that the seller is the legal owner of the property and to identify any liens or claims against the property.

Transfer Tax - State or local tax payable when title to property passes from one owner to another.

Truth-In-Lending Act (TILA) - A federal law that requires disclosure of a truth-in-lending statement for consumer credit. The statement includes a summary of the total cost of credit, such as the annual percentage rate (APR) and other specifics of the credit.

Underwriting - The process used to determine loan approval. It involves evaluating the property and the borrower’s credit and ability to pay the mortgage.

Uniform Residential Loan Application - A standard mortgage application you will have to complete. The form requests your income, assets, liabilities, and a description of the property you plan to buy, among other things.

VA Guaranteed Loan - A mortgage loan that is guaranteed by the U.S. Department of Veterans Affairs (VA).

Walk-Through - A common clause in a sales contract that allows the buyer to examine the property being purchased at a specified time immediately before the closing, for example, within the 24 hours before closing.

Issue

When selling a home, what are the requirements, exemptions, and tax consequences and are there any exemptions?

This position paper will provide easy to understand answers on selling a home.

IRS Publication 523, "Selling Your Home"
https://www.irs.gov/pub/irs-pdf/p523.pdf

IRS Publication 523, entitled "Selling Your Home" is a 22 page document filled with answers that explains the tax rules that apply when you sell (or otherwise give up ownership of) a home. It also shows you how to do the calculations you'll need to do.

Generally, If You Sell Your Home at a Significant Profit (Gain)

Generally, if you sell your home at a significant profit (gain), some or all of that gain could be taxable. However, in most cases, if the home you sold counts as your main home, the first $250,000 of gain isn't taxable — $500,000 if you are married and filing jointly.

Generally, If You Sell Your Home at a Loss

If you sell your home at a loss, the money you receive isn't taxable. However, you can't deduct the loss from other income.

Basis Adjustments—Details and Exceptions

You should include many, but not all, costs associated with the purchase and maintenance of your home in the basis of your home. For more information on determining basis, see Pub. 551, Basis of Assets.

Fees and Closing Costs Some settlement fees and closing costs you can include in your basis are:

- Abstract fees (abstract of title fees),
- Charges for installing utility services,
- Legal fees (including fees for the title search and preparing
- the sales contract and deed),
- Recording fees,
- Survey fees,
- Transfer or stamp taxes, and
- Owner's title insurance.

Some settlement fees and closing costs you can't include in your basis are:

- Fire insurance premiums,
- Rent for occupancy of the house before closing,
- Charges for utilities or other services related to occupancy of the house before closing,
- Any fee or cost that you deducted as a moving expense (allowed for certain fees and costs before 1994),
- Charges connected with getting a mortgage loan, such as:
    1. Mortgage insurance premiums (including funding fees connected with loans guaranteed by the Department of Veterans Affairs),
    2. Loan assumption fees,
    3. Cost of a credit report,
    4. Fee for an appraisal required by a lender, and Fees for refinancing a mortgage.

Moving Expenses

Starting 2018 and forward, The Tax Cuts and Jobs Act (TCJA) *eliminated most Itemized Deductions, Schedule A., Miscellaneous Itemized Deductions;* including Moving Expenses which are no longer deductible, except for *members of the Armed Forces who move due to a military order*.

Construction

If you contracted to have your house built on the land you own, your basis is:

- The cost of the land, plus
- The amount it cost you to complete the house, including:
    1. The cost of labor and materials,
    2. Any amounts paid to a contractor,
    3. Any architect's fees,
    4. Building permit charges,
    5. Utility meter and connection charges,
    6. Legal fees directly connected with building the house.

Your cost includes your down payment and any debt such as a first or second mortgage or notes you gave the seller or builder. It also includes certain settlement or closing costs. You must reduce your basis by points the seller paid you.

If you built all or part of your house yourself, its basis is the total amount it cost you to complete it. Don't include in the cost of the house:

- The value of your own labor, or
- The value of any other labor for which you didn't pay.

Costs owed by the seller that you paid. You can include in your basis any amounts the seller owes that you agree to pay (as long as the seller doesn't reimburse you), such as:

- Any real estate taxes owed up through the day before the sale date,
- Back interest owed by the seller,
- The seller's title recording or mortgage fees,
- Charges for improvements or repairs that are the seller's responsibility (for example, lead paint removal), and
- Sales commissions (for example, payment to the seller's real estate agent).

Improvements

These add to the value of your home, prolong its useful life, or adapt it to new uses. You add the cost of additions and improvements to the basis of your property. The following chart lists *49 Improvement Examples inside 7 Categories.*

Examples of Improvements That Increase Basis
Keep for Your Records

Additions Bedroom Bathroom Deck Garage Porch Patio	**Systems** Heating system Central air conditioning Furnace Duct work Central humidifier Central vacuum Air/water filtration systems Wiring Security system Lawn sprinkler system
Lawn & Grounds Landscaping Driveway Walkway Fence Retaining wall Swimming pool	
Exterior Storm windows/doors New roof New siding Satellite dish	**Plumbing** Septic system Water heater Soft water system Filtration system
Insulation Attic Walls Floors Pipes and duct work	**Interior** Built-in appliances Kitchen modernization Flooring Wall-to-wall carpeting Fireplace

Repairs Done As Part of a Larger Project

You can include repair-type work if it is done as part of an extensive remodeling or restoration job. For example, *replacing broken windowpanes is a repair*, but replacing the same window as part of a project of *replacing all the windows in your home counts as an improvement*.

Examples of Improvements You CAN'T Include In Your Basis:

- Any costs of repairs or maintenance that are necessary to keeping your home in good condition but don't add to its value or prolong its life. Examples include painting (interior or exterior), fixing leaks, filling holes or cracks, or replacing broken hardware.
- Any costs of any improvements that are no longer part of your home (for example, wall-to-wall carpeting that you installed but later replaced).
- Any costs of any improvements with a life expectancy, when installed, of less than 1 year.

Exception – If Entire Job Is Considered an Improvement

The entire job is considered an improvement if items that would otherwise be considered repairs are done as part of an extensive remodeling or restoration of your home. For example, if you have a casualty and your home is damaged, increase your basis by the amount you spend on repairs that restore the property to its pre-casualty condition.

Energy Credits and Subsidies

If you included in your basis the cost of any energy-related improvements (such as a solar energy system), and you received any tax credits or subsidies related to those improvements, you must subtract those credits or subsidies from your total basis.

Examples include:

- 1977–1987. Credit for home energy improvements,
- 1992–present. Direct or indirect subsidy from a public utility for installations or modifications aimed at lowering a home's electricity or natural gas usage or better managing its energy demand,
- 2006–present. Credit for home energy efficiency improvements [Windows], and
- 2006–2007 and 2009–present. Credit for energy improvements to non-business properties.

Main Home

If Own or Live In More than One Home, Facts and Circumstances Test Determination

If you own or live in more than one home, the test for determining which one is your main home is a “Facts and Circumstances Test.”

The most important factor is *where you spend the most time*. However, other factors can enter the picture as well.

The *more of these that are true of a home, the more likely it is your main home*.

- The address listed on your:
  1. U.S. Postal Service address,
  2. Voter Registration Card,
  3. Federal and state tax returns,
  4. and Driver's license or car registration.

- The home is near:
  1. Where you work,
  2. Where you bank,
  3. The residence of one or more family members,
  4. and Recreational clubs or religious organizations of which you are a member.

Domicile

Generally, an individual is a *"Resident*" of the state where they reside, where their driver's license is issued, and the place where they are registered to vote.

For Individual Income Tax purposes, they pay these taxes based on where they have a *"Domicile."* The general definition of a *"Domicile"* is where*; when you leave, you intend to return back.*

Black's Law Dictionary defines *"Domicile"* as: "The place at which a person has been physically present and that the person regards as home; a person's true, fixed, principal, and permanent home, to which that person intends to return and remain even though currently residing elsewhere."

If You Received a Form 1099-S, Proceeds From Real Estate Transactions

[Federal Form 1099-S, entitled, *Proceeds From Real Estate Transactions*, is issued by the person responsible for closing the real estate transaction, which is the Settlement Agent listed in the *HUD-1, Settlement Statement* and is generally an Attorney, Escrow Company, or Title Company. The purpose is to ensure that sellers are reporting their full amount of capital gains on each year's tax return and paying the appropriate taxes.]

If you received a Form 1099-S, start with the amount real estate tax you actually paid in the year of sale. Subtract the buyer's share of real estate tax as shown in box 5. The result is the amount you can deduct as an itemized deduction.

If you didn't already deduct all your mortgage points on an earlier tax return, you may be able to deduct them on your tax return for the year of sale. See Pub. 936, Home Mortgage Interest Deduction.

Report on Schedule A (Form 1040), Itemized Deductions, any itemized real estate deduction. Follow the Instructions for Schedule A when completing the form.

If You Didn't Receive a Form 1099-S, Proceeds From Real Estate Transactions

[Contact the person responsible for closing the real estate transaction, which is the Settlement Agent listed in your *HUD-1*, *Settlement Statement* and generally is an Attorney, Escrow, or Title Company.]

If you didn't receive a Form 1099-S, *Proceeds From Real Estate Transactions,* use the following method to compute your real estate tax deduction, which can sometimes be different from the amount of real estate tax you actually paid. Take the amount of real estate tax due on your home for the 12-month tax billing cycle that contains your date of sale. Depending on your town or county's tax billing cycle, this 12-month period may or may not be a calendar year.

Take the number of days you owned the property during the year of sale, not counting the date of sale, and divide it by 365 (or 366 for a leap year). Express the result as a decimal calculated to 3 places. Multiply the annual real estate tax (as you computed it in the first bullet point) by this decimal. The result is the amount of real estate tax you can deduct as an itemized deduction.

Exemption Eligibility Test

You can exclude up to $250,000 of gain ($500,000 if married filing jointly) on the sale of your home if you meet the Eligibility Test Steps:

Automatic Disqualification, Ownership, Residence, Look-Back, Exceptions, Exceptions

Eligibility Step 1—Automatic Disqualification

Determine whether any of the automatic disqualifications apply.

Your home sale isn't eligible for the exclusion if ANY of the following are true.

a) You acquired the property through a like-kind exchange(1031 exchange), during the past 5 years. See Pub. 544, Sales and Other Dispositions of Assets.

b) You are subject to expatriate tax. For more information about expatriate tax, see chapter 4 of Pub. 519, U.S. Tax Guide for Aliens. If any of these are true, skip to *Figuring Gain or Loss*.

Eligibility Step 2—Ownership

Determine whether you meet the ownership requirement.

If you owned the home for at least 24 months (2 years) during the last 5 years leading up to the date of sale (date of the closing), you meet the ownership requirement.

If you received *Form 1099-S, Proceeds From Real Estate Transactions*, the date of sale appears in box 1 of Form 1099-S.

If you didn't receive Form 1099-S, the date of sale is either the date the title transferred or the date the economic burdens and benefits of ownership shifted to the buyer, whichever date is earlier. In most cases, these dates are the same.

Eligibility Step 3—Residence

Determine whether you meet the residence requirement.

If your home was your residence for at least 24 of the months you owned the home during the 5 years leading up to the date of sale, you meet the residence requirement.

The 24 months of residence can fall anywhere within the 5-year period. *It doesn't 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.

If you were ever away from home, you need to determine whether that counts as time living at home or not. A vacation or other short absence counts as time you lived at home (even if you rented out your home while you were gone).

If you have a *disability, and are physically or mentally unable to care for yourself,* you only need to show that your home was your residence for at least 12 months out of the 5 years leading up to the date of sale. In addition, any time you spend living in a care facility (such as a nursing home) counts toward your residence requirement, so long as the facility has a license from a state or other political entity to care for people with your condition.

If you have more than one home, see Main Home, earlier.

If your home was destroyed or condemned, see Home Destroyed or Condemned—Considerations for Benefits.

If you work for the government as uniformed or intelligence personnel, or are with the Peace Corps, see Service, Intelligence, and Peace Corps Personnel.

Eligibility Step 4—Look-Back

Determine whether you meet the look-back requirement.

If you didn't exclude gain for selling a home on your tax returns for the previous two years [preceding the date of the sale] (and you don't intend to do so on any returns or amended returns for the past two years that aren't yet filed), you meet the look-back requirement.

Eligibility Step 5—Exceptions

Check to see if there is anything about your situation that could affect your answer to Eligibility Step 2—Ownership through Eligibility Step 4—Look-Back.
You'll need to review *Does Your Home Qualify—Details and Exceptions,* later, if any of the following are true:

- A marriage, separation, divorce, or the death of a spouse occurred during the ownership of home
- The sale involved vacant land.
- What you sold was a "remainder interest" (such as ownership of a home in which another person has the right to live for the rest of his or her life).
- Your previous home was destroyed or condemned.

Eligibility Step 6—Review

Review your eligibility. If you meet the ownership, residence, and look-back requirements, your home sale qualifies for exclusion, skip to *Figuring Gain or Loss*.

If you didn't meet all the tests in Eligibility Step 1 through Eligibility Step 5, earlier, your home isn't eligible for the full maximum exclusion. However, you may still be eligible for partial exclusion if you can show the main reason you sold your home was a change in workplace location, health issues, or an unforeseeable event. See *Does Your Home Qualify—Details and Exceptions* below.

Does Your Home Qualify - Details and Exceptions for a Partial Exclusion

If you don't meet the eligibility test, you may still qualify for a partial exclusion of gain if you moved because of *work*, *health*, *or an unforeseeable event.*

You can qualify either by meeting a set of standard requirements (the "safe harbor" provisions) or by showing enough facts and circumstances to validate your claim.

Work-related move

You meet the standard requirements if any of the following happened during the time you owned and lived in the home you sold:

- You took or were transferred to a new job in a work location at least 50 miles farther from home than your old work location.
- You had no previous work location and you began a new job at least 50 miles from home.
- Either of the above is true of your spouse, a co-owner of the home, or anyone else for whom the home was his or her residence.

Health-related move

You meet the standard requirements if any of the following happened during the time you owned and lived in the home you sold.

- You moved to obtain, provide, or facilitate diagnosis, cure, mitigation, or treatment of disease, illness, or injury for yourself or a family member.
- You moved to obtain or provide medical or personal care for a *family member* suffering from a disease, illness, or injury.

  Family includes:
  1. Parent, grandparent, stepmother, stepfather;
  2. Child, grandchild, stepchild, adopted child, eligible foster child;
  3. Brother, sister, stepbrother, stepsister, half-brother, half-sister;
  4. Mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law;
  5. Uncle, aunt, nephew, niece, or cousin.
- A doctor recommended a change in residence for you because you were experiencing a health problem.
- The above is true of your spouse, a co-owner of the home, or anyone the home was a residence.

Unforeseeable Events

- You meet the standard requirements if any of the following happened during the time you owned and lived in the home you sold.
- Your home was destroyed or condemned.
- Your home suffered a casualty loss because of a natural or man-made disaster or an act of terrorism. (It doesn't matter whether the loss is deductible on your tax return.)
- You, your spouse, a co-owner of the home, or anyone else for whom the home was his or her residence:
  1. Died;
  2. Became divorced or legally separated;
  3. Gave birth to two or more children from the same pregnancy;
  4. Became *eligible for unemployment compensation*;
  5. Became unable, because of a change in employment status, to pay basic living expenses for the household (including expenses for food, clothing, housing, medication, transportation, taxes, court-ordered payments, and expenses reasonably necessary for making an income).
- An event is determined to be an unforeseeable event in IRS published guidance.

Figuring Gain or Loss

To figure the gain or loss on the sale of your main home, you must know the selling price, the amount realized, and the adjusted basis. Subtract the adjusted basis from the amount realized to get gain or loss.

Selling Price
− (less) Selling Expenses
Amount Realized
− (less) Adjusted Basis
Gain or Loss

Gain - Gain is the excess of the amount realized over the adjusted basis of the property.
Loss - Loss is the excess of the adjusted basis over the amount realized for the property.

How To Figure Your Gain or Loss Worksheet

The process is the same for *single family homes*, *condominiums*, *mobile homes*, *and all other types of homes*. If you have questions as you work through these step-by-step instructions, or want examples of costs that can and can't be included, see Basis Adjustments—Details and Exceptions.

- If married and filing jointly, figure gain or loss for both of you together.
- If not filing jointly, or if there are two owners who aren't married, you will need a gain or loss figure for each individual. If ownership is joint, or is shared 50/50, the figure for each individual is half of the final gain or loss result from this worksheet. If ownership is divided according to different percentages, each owner's figure is the gain or loss result from this worksheet multiplied by his or her ownership percentage.
- If you used any portion of the property for business or rented it out, go to Business or Rental Use of Home.

How To Figure Your Gain or Loss Worksheet

1. Determine the sale price. This is everything you received for selling your home.

a. All money (currency, check, wire transfer) .... **a.** ______

b. The value of any notes, mortgages, or other debts that the buyer agreed to assume (take over) as part of the sale .... **b.** ______

c. Any real estate taxes the buyer paid on your behalf .... **c.** ______

d. The fair market value of any other property or services you received .... **d.** ______

e. Any amount you received for granting an option to buy your home, if the option was exercised .... **e.** ______

f. Add lines 1a through 1e. This is your **sale price** .... **f.** ______

- **If you received payment for personal property,** DON'T include it in the sale price (examples: furniture, draperies, rugs, washer and dryer, and lawn equipment).
- **If you received payment or reimbursement from your employer** because of a job transfer, DON'T include the payment as part of the selling price. Your employer will include it as wages in box 1 of your Form W-2.
- **If you received Form 1099-S,** the gross proceeds for the sale price should appear in box 2. If box 4 is checked, the sale price included non-cash payments, and you need to determine the value of these and add them to the figure in box 2.
- **If you didn't receive Form 1099-S,** refer to your real estate transaction documents for the total amount you received for your home.

2. Determine your selling expenses. These are the costs directly associated with selling your home.

a. Any sales commissions (for example, a real estate agent's sales commission) .... **a.** ______

b. Any fees for a service that helped you sell your home without a broker .... **b.** ______

c. Any advertising fees .... **c.** ______

d. Any legal fees .... **d.** ______

e. Any mortgage points or other loan charges you paid that would normally have been the buyer's responsibility .... **e.** ______

f. Add lines 2a through 2f. These are your **selling expenses** .... **f.** ______

- **If you received payment or reimbursement from your employer,** subtract from the selling expenses any portion of these expenses your employer paid or reimbursed to you.

3. Figure your "amount realized" (sale price minus selling expenses).

a. Your **sale price** (line 1f) .... **a.** ______

b. Subtract your **selling expenses** (line 2f) .... **b.** ______

c. This is your **amount realized** .... **c.** ______

4. Determine your "total basis" (the total amount you invested in your home). This includes what you paid for your home as well as other money you may have put into it that added to its value.

a. The amount you paid for your home (or if you built your home, the cost of the land). Include any down payment and any amount you borrowed to pay for the home, such as a first or second mortgage, or notes you gave the seller in payment for the home. For cooperative apartments, include the value of the corporation stock you purchased. If you acquired your home through inheritance, gift, bargain sale, trade, or anything except a fair market purchase, see *Basis Adjustments—Details and Exceptions*, later .... **a.** ______

b. Any settlement fees or closing costs you paid when you bought your home, except for financing-related costs (such as seller-paid points). A fee paid for buying the home is any fee you would have had to pay even if you paid cash for the home. See *Basis Adjustments—Details and Exceptions* and *Fees and Closing Costs* .... **b.** ______

c. Any real estate taxes or other costs you paid on behalf of the seller you bought your home from (and for which the seller never paid you back) .... **c.** ______

d. Any amounts you spent on construction, renovation, or other improvements that are still part of your home when you sell it, but not costs of repairs and maintenance. See *Basis Adjustments—Details and Exceptions*, later .... **d.** ______

e. Any amounts you spent to repair damage to your home or the land it sits on .... **e.** ______

f. Any special assessments for local improvements (such as special tax or condominium association assessments that aren't merely for repairs or maintenance) .... **f.** ______

g. Add lines 4a through 4f. This is your **total basis** .... **g.** ______

How To Figure Your Gain or Loss Worksheet (Continued)

5. Determine your "basis adjustments" (any payments, credits, or benefits you may need to deduct from your basis).

a. Any depreciation you took for using your home as a home office .... **a.** ______

b. Any depreciation you took — or didn't take but could have taken — for any business or investment (rental) use of your home other than home office use .... **b.** ______

c. Any casualty losses (such as flood or fire damage) you claimed as a deduction on a federal tax return .... **c.** ______

d. Any insurance payments you received or expect to receive for casualty losses ...... **d.** ______

e. Any payments you received for granting an easement, conservation restriction, or right-of-way .... **e.** ______

f. Any energy credits or subsidies that effectively paid you back for improvements you included in your total basis. See *Basis Adjustments—Details and Exceptions*, later .... **f.** ______

g. Any adoption credits you claimed, or any nontaxable payments from an employer-sponsored adoption assistance program, you used for improvements you included in your total basis .... **g.** ______

h. Any District of Columbia first-time homebuyer credit you claimed .... **h.** ______

i. Any real estate taxes the seller paid on your behalf (and for which you never paid the seller back). If you reimburse the seller, it doesn't affect basis .... **i.** ______

j. Any mortgage points the seller paid for you when you bought your home, but only if one of the following is true .... **j.** ______

- You bought your home sometime between January 1, 1991 and April 3, 1994 (including those days) AND you deducted the points as home mortgage interest in the year they were paid, or
- You bought your home after April 3, 1994 (whether you deducted the points or not).

k. Any canceled or forgiven mortgage debt amount that was excluded due to a bankruptcy or insolvency and you didn't have to declare as income. For more information, see Pub. 4681 .... **k.** ______

l. Any sales tax you paid on your home (such as for a mobile home or houseboat) and then claimed as a deduction on a federal tax return .... **l.** ______

m. The value of any temporary housing the builder of your home provided for you ...... **m.** ______

- *Use this equation:*
  Contract price × Value of temporary housing ÷ (Value of temporary housing + Value of new home)

n. Any gain you postponed from a home you sold before May 7, 1997 .... **n.** ______

o. Add lines 5a through 5n. This is your **basis adjustment** .... **o.** ______

6. Figure your "adjusted basis" (total basis minus basis adjustments).

a. Your **total basis** (line 4g) .... **a.** ______

b. Subtract your **basis adjustments** (line 5o) .... **b.** ______

c. This is your **adjusted basis** .... **c.** ______

- If your **adjusted basis is less than zero** and you went through a mortgage workout or other process resulting in forgiveness or cancellation of mortgage debt ("discharge of qualified principal residence indebtedness"), don't count any portion of your canceled debt that is bringing your basis below zero.

7. Figure your gain or loss (amount realized minus adjusted basis).

a. Your **amount realized** (line 3c) .... **a.** ______

b. Subtract your **adjusted basis** (line 6c) .... **b.** ______

c. This is your **gain** or **loss** .... **c.** ______

- If the **number is negative** (adjusted basis is greater than amount realized), you sold your home at a loss. You can't deduct this loss, but you don't need to pay any tax on the money you received from selling your home. Skip to *Reporting Your Home Sale*, later.
- If the **number is positive**, you sold your home at a gain. Skip to *How Much Is Taxable*, later.

Business or Rental Use of Home

Determine whether the space used for business during the 5 years before the sale is considered to be within your home or not. If the business or rental space was physically part of the living area of your home, such as a spare room used as a bed-and-breakfast bedroom or attic space used as a home office, your business usage doesn't affect your gain/loss calculations. Complete How To Figure Your Gain or Loss Worksheet.

If the business or rental space wasn't within your living space, such as a first-floor store with residence, an apartment with its own entrance (and kitchen and bath), or a working farm with a farmhouse on the property, continue to Determine whether the business or rental space still counts as a business space.

Determine whether the business or rental space still counts as a business space. A space formerly used for business is considered residence space if ALL of the following are true:

- You weren't using the space for business or rental at the time you sold the property,
- You didn't earn any business or rental income from the space in the year you sold your home, and
- You used the space as residence space for 2 years out of the 5 years leading up to the sale.

If all of these are true, *your business usage DOESN'T affect your gain/loss calculations*. Complete How To Figure Your Gain or Loss Worksheet and then go to How Much Is Taxable.

For more information about using any part of your home for business or renting it to someone, see Pub. 587, Business Use of Your Home, and Pub. 527, Residential Rental Property.

Do you need to calculate your business and residence portions separately? If ANY of the three bullets in Determine whether the business or rental space still counts as a business space, earlier, ISN'T true, you need to make separate gain/loss calculations for the business and residence portions of your property. Continue to Make three copies of all pages of How To Figure Your Gain or Loss Worksheet.

Make three copies of all pages of How To Figure Your Gain or Loss Worksheet. Label one copy "Total," one copy "Home," and one copy "Business or Rental."

Complete your "Total" worksheet using the figures for your property as a whole. Include the total amount you received, all of your basis adjustments, etc. Include the cost of all improvements, whether you made them to the business space or the residential space.

Determine your "business or rental percentage." This is the percentage of your property that is considered to have been used for business or rental. If you took depreciation on your home on past tax returns, use the same business or rental percentage that you used in determining how much depreciation to take.

If you DIDN'T take depreciation on your home on past tax returns, compare the size of your business or rental space to the size of the whole property and express this as a percentage. For example, if you have a building with 3 equal-sized stories, and you live in the top 2 stories and use the ground floor for a store, then you are using 1/3 of the property. Your business percentage is 33.3%.

Married, Divorced, Widowed

Home Received in Marriage

Married individuals may exclude up to $500,000 of gain if they file a joint return and neither spouse excluded gain on the sale of another home within a previous 2-year period. If one spouse meets the ownership requirement, both are considered to have met the requirement. See Eligibility Step 2—Ownership, earlier. However, each spouse must individually meet the residence requirement. See Eligibility Step 3—Residence, earlier.

Death of Spouse

If you sell your home after your spouse dies (*within 2 years after your spouse dies*), and you *haven't remarried* as of the sale date, you can count any time when your spouse owned the home as time you owned it, and any time when the home was your spouse's residence as time when it was your residence.

Home Received in Divorce

You can count a home as your residence during any period when ALL of the following are true.

- You are a sole or joint owner.
- Your spouse or former spouse is allowed to live in it *under a divorce or separation agreement*.
- Your spouse or former spouse uses it as his or her residence (not as a second home).

Home Acquired Through Transfer From Spouse

If your home was transferred to you by a spouse or ex-spouse (whether in connection with a divorce or not), you can count any time when your spouse owned the home as time when you owned it. However, you must meet the residence requirement on your own.

Home Received in Divorce - Dates

Home Acquired After July 18, 1984.

If your former spouse was the sole owner, your starting basis is the same as your former spouse's adjusted basis just before you received the home. If you co-owned the home with your spouse, add the adjusted basis of your spouse's half-share in the home to the adjusted basis of your own half-share to get your starting basis. (*In most cases, the adjusted basis of the two half-shares will be the same.*) The rules apply whether or not you received anything in exchange for the home.

Home Acquired on or Before July 18, 1984

Your starting basis will usually be the home's fair market value at the time you acquired it from your spouse or ex-spouse. For more information, see Pub. 504, Divorced or Separated Individuals. If you or your spouse or ex-spouse lived in a community property state, see Pub. 555, Community Property.

Home Received as Gift

To determine your basis if you received your home as a gift, you will need to know the following:

- The adjusted basis of the person who gave it to you (the donor), and
- The home's fair market value at the time of the gift, as it was appraised for federal gift tax purposes (or for state gift tax purposes if the federal gift tax doesn't apply).

In some cases, you also will need to know how much federal gift tax was paid when you received the home.

If the donor's adjusted basis was more than the home's value, use the donor's adjusted basis as your basis. However, if you find this results in a loss in line 7c, under *How To Figure Your Gain or Loss Worksheet*, earlier, you are treated as having neither a gain nor a loss.

If the donor's adjusted basis was less than or equal to the home's value, your basis will depend on when you received the home.

Home Received Before 1977 - Do the following calculations to find your basis:

1. Enter value of the home at the time of the gift . . . . . 1. ______________
2. Enter total federal gift tax paid . . . . 2. ______________
3. Enter donor's adjusted basis . . . . 3. ______________
4. Add line 2 and line 3 . . . . 4. ______________
5. Enter the SMALLER of line 1 or line 4.
   This is your basis . . . . 5. ______________

Home received in 1977 or later - Do the following calculations to find your basis:

1. Enter value of the home at the time of the gift . . . . . 1. ______________
2. Enter donor's adjusted basis . . . . 2. ______________
3. Enter any annual exclusion and marital or
   charitable deduction applied to the gift . . . . 3. ______________
4. Federal gift tax paid on gift . . . . 4. ______________
5. Subtract line 2 from line 1 . . . . 5. ______________
6. Subtract line 3 from line 1 . . . . 6. ______________
7. Divide line 5 by line 6 . . . . 7. ______________
8. Multiply line 7 by line 4 . . . . 8. ______________
9. Add line 2 and line 8. This is your basis . . . . 9. ______________

Home Inherited

Home acquired from a decedent who died before or after 2010.

If you inherited your home from a decedent who died before or after 2010, your basis is the fair market value of the property *on the date of the decedent's death* (or the later alternate valuation date chosen by the personal representative of the estate). If an estate tax return was filed or required to be filed, the value of the property listed on the estate tax return is your basis. If a federal estate tax return didn't have to be filed, your basis in the home is the same as its appraised value at the date of death, for purposes of state inheritance or transmission taxes.

Surviving Spouse

If you are a surviving spouse and you owned your home jointly, your basis in the home will change. The new basis for the interest your spouse owned will be its fair market value on the date of death (or alternate valuation date). The basis in your interest will remain the same. *Your new basis in the home is the total of these two amounts.*

If you and your spouse owned the home either as *tenants by the entirety* or as *joint tenants with right of survivorship*, you will *each be considered to have owned one-half of the home*.

Example. Your jointly owned home (owned as joint tenants with right of survivorship) had an adjusted basis of $50,000 on the date of your spouse's death, and the fair market value on that date was $100,000. Your new basis in the home is $75,000 ($25,000 for one-half of the adjusted basis plus $50,000 for one-half of the fair market value).

Community Property

In community property states (*Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin*), each spouse is usually considered to own *half of the community property*. When either spouse dies, the total fair market value of the community property becomes the basis of the entire property, including the part belonging to the surviving spouse.

For this to apply, at least half the value of the community property interest must be includible in the decedent's gross estate, whether or not the estate must file a return. For more information about community property, see Pub. 555, Community Property.

Recapturing Depreciation

If you used all or part of your home for business or rental after May 6, 1997, you may need to pay back ("recapture") some or all of the depreciation you were entitled to take on your property. "Recapturing" depreciation means you must include it as ordinary income on your tax return.

Determine any depreciation amounts you may need to recapture

1. Enter your taxable gain from line 3d under How To Figure Your Taxable Gain or Loss Worksheet . . . . 1. ______________
2. Enter your total depreciation from line 3a under How To Figure Your Taxable Gain or Loss Worksheet . . . . 2. ______________
3. Enter the SMALLER of line 1 and line 2 here and on line 12 of the "Unrecaptured Section 1250 Gain Worksheet" in the instructions to Schedule D (Form 1040). Follow the Schedule D instructions to complete the process . . . . 3. ______________

Reporting Your Home Sale

Once you've done the calculations described in this publication, you are ready to report them on your tax returns. This section tells you how and also gives you information such as how to take deductions relating to your home sale and how to report other types of income (besides your gain) you may have received because of your home sale. This section also covers special circumstances that apply to some home sellers.

What Records To Keep

Any time you buy real estate, you should keep records to document the property's adjusted basis. In general, keep these records until 3 years after the due date for your tax return for the year in which you sold your home.

Reporting Gain or Loss on Your Home Sale

You need to report the gain from your home if ANY of the following is true:

- You have taxable gain on your home sale (or on the residential portion of your property if you made separate calculations for home and business) and don't qualify to exclude.
- You received a Form 1099-S. If so, you must report the sale even if you have no taxable gain to report.
- You wish to report your gain as a taxable gain even though some or all of it is eligible for exclusion. You may wish to do this if, for example, 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. If you choose to report, rather than exclude, your taxable gain, you can go back later and undo that choice by filing an amended return, but only within 3 calendar years after the year of sale.

If NONE of the three bullets above is true, you *don't need to report your home sale on your tax return*. If you didn't make separate home and business calculations on your property, skip to *Reporting Deductions Related to Your Home Sale*.

If ANY of the three bullets above is true, skip to Determine Whether Your Home Sale Is an Installment Sale.

If you made separate gain/loss calculations for business and residence portions of your property, you may have to use Form 4797 to report the sale of the business or rental part. See Business or Rental Use of Home, earlier.

Determine whether your home sale is an installment sale. If you finance the buyer's purchase of your home (you hold a note, mortgage, or other financial agreement), you probably have an installment sale. You may be able to report any gain you can't exclude on an installment basis. Use Form 6252, Installment Sale Income, to report the sale. For more information, see Pub. 537, Installment Sales.

Report Any Interest You Receive From the Buyer

If the buyer is making payments to you over time (as when you provide seller financing), then you generally must report part of each payment as interest on your tax return. Report the interest as ordinary income on Form 1040, line 8a. If the buyer is using the property as a first or second home, also report the interest on Schedule B (Form 1040A or 1040), Interest and Ordinary Dividends, to Form 1040 and provide the buyer's name, address, and social security number. There is a $50 penalty per requirement for failing to meet any of these requirements.

If either you or the buyer is a *nonresident or resident alien* who doesn't have and isn't eligible to get a social security number, an individual taxpayer identification number (ITIN) may be provided instead. If you don't have an ITIN, apply for one by filing Form W-7, Application for IRS Individual Taxpayer Identification Number.

Complete Form 8949, Sales and Other Dispositions of Capital Assets

Use Form 8949 to report gain from the sale or disposition of the personal use portion of your home if you can't exclude the gain. If you have gain that can't be excluded, you generally must report it on Form 8949, Sales and Other Dispositions of Capital Assets, and Schedule D (Form 1040), Capital Gains and Losses. Report the sale on Part I or Part II of Form 8949 as a short-term or long-term transaction, depending on how long you owned the home. For more information, see the Instructions for Form 8949.

Complete Schedule D (Form 1040), Capital Gains and Losses. Using the information on Form 8949, report on Schedule D (Form 1040) the gain or loss on your home as a capital gain or loss. Follow the Instructions for Schedule D when completing the form. Note you won't be able to use Form 1040EZ, Income Tax Return for Single and Joint Filers with No Dependents, for your return.

If you have any taxable gain from the sale of your home, you may have to increase your withholding or make estimated tax payments. See Pub. 505, Tax Withholding and Estimated Tax.

Reporting Deductions Related to Your Home Sale

If you aren't itemizing deductions on your return for the year in which you sold your home, skip to the section on *Reporting Other Income Related to Your Home Sale*.

Note there is no tax deduction for transfer taxes, stamp taxes, or other taxes, fees, and charges you paid when you sold your home. However, you can treat these taxes and fees as selling expenses. If you pay these amounts as the buyer, include them in your cost basis of the property.

Determine the amount of real estate tax deductions associated with your home sale. Follow the instructions under the section *If you didn't receive a Form 1099*S. If you aren't itemizing deductions on your return for the year in which you sold your home, skip to the section on *Reporting Other Income Related to Your Home Sale*.

Reporting Other Income Related to Your Home Sale

Report as ordinary income on Form 1040 any amounts received from selling personal property.

This includes any payments you received for *furniture, drapes, lawn equipment, a washer/dryer*, or any other property you sold that wasn't a permanent part of your home. The selling price of your home doesn't include amounts you received for personal property sold with your home.

Report as ordinary income on Form 1040 any amounts received for sales of expired options to purchase your property. If you granted someone an *option to buy your home and it expired* in the year of sale, report the amount you received for the option as ordinary income. Report this amount on Form 1040, line 21 or 1040NR, line 21.

Paying Back Credits and Subsidies

If you received any homebuyer credits or federal mortgage subsidies, you may have to pay back ("recapture") some or all of the amount by increasing your tax payment.

Determine any amounts you may have claimed as a first-time homebuyer tax credit.

- If you bought your home in 2008, you must pay back the credit unless you qualify for an exception.
- If you bought your home in 2011, you may have to pay back the credit if the home was destroyed or you sold it through condemnation or under threat of condemnation in 2014.

See Form 5405, Repayment of the First-Time Homebuyer Credit, to find out how much to pay back, or if you qualify for any exceptions. If you do have to repay the credit, file Form 5405 with your tax return.

Federal Mortgage Subsidies

Determine any amounts you may have received in federal mortgage subsidies in the 9 years leading up to the date of sale. If you financed your home under a federally subsidized program (*loans from tax-exempt qualified mortgage bonds or loans with mortgage credit certificates*), you may have to recapture all or part of the benefit you received from that program when you sell or otherwise dispose of your home. You recapture the benefit by increasing your federal income tax for the year of the sale. You may have to pay this recapture tax even if you can exclude your gain from income under the rules discussed earlier; that exclusion doesn't affect the recapture tax.

Home Foreclosed, Repossessed, or Abandoned

You may have ordinary income, gain, or loss. See Pub. 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments. If you used part of your home for business or rental purposes, see "Foreclosures and Repossessions" in chapter 1 of Pub. 544, for examples of how to figure gain or loss.

IRS Publication 4681, Canceled Debts, Foreclosures, Repossessions, Abandonments
https://www.irs.gov/pub/irs-pdf/p4681.pdf

Main Home Foreclosure or Abandonment

If a lender foreclosed on your main home during the year, you will need to determine your gain or loss on the foreclosure. Foreclosures are explained in chapter 2 and abandonments are explained in chapter 3. If the lender also canceled all or part of the remaining amount on the mortgage loan, and you were personally liable for the debt, you also should read *Qualified Principal Residence Indebtedness* under Exclusions in chapter 1 to see if you can exclude part or all of the canceled debt from income.

Main Home Loan Modification (Workout Agreement)

If a lender agrees to a mortgage loan modification (a "workout") that includes a reduction in the principal balance of the loan, you should read *Qualified Principal Residence Indebtedness* under Exclusions in chapter 1 to see if you can exclude part or all of the canceled debt from income. If you can exclude part or all of the canceled debt from income, you also should read Qualified Principal Residence Indebtedness under Reduction of Tax Attributes in chapter 1.

Qualified Principal Residence Indebtedness

You can exclude canceled debt from income if it is qualified principal residence indebtedness.

Qualified principal residence indebtedness is any mortgage you took out to buy, build, or substantially improve your main home. It also must be secured by your main home. Qualified principal residence indebtedness also includes any debt secured by your main home that you used to refinance a mortgage you took out to buy, build, or substantially improve your main home, but only up to the amount of the old mortgage principal just before the refinancing.

Applicable Canceled or Forgiven Mortgage Debt

Exclude $2 million of canceled or forgiven debt $1 million if you are single or married filing separately

Report As Ordinary Income on Form 1040 *Applicable Canceled or Forgiven Mortgage Debt*. If you went through a mortgage workout, foreclosure, or other process in which a lender forgave or canceled mortgage debt on your home, the amount of debt that was forgiven or canceled must *normally be reported as income on your tax return*.

However, you can *exclude up to $2 million of canceled or forgiven debt* ($1 million if you are single or if you are married and filing separately) from your income if ALL of the following are true:

- The debt was taken out to buy, build, or substantially improve your main residence. If you have more than one residence, see Does Your Home Qualify—Details and Exceptions, earlier, to determine which is your main residence.
- The debt was secured by your main residence.
- The loan amount (amount of principal), not counting interest, didn't exceed the cost of your main residence plus improvements.
- The debt was canceled or forgiven because the value of your home declined or your financial circumstances worsened. If you qualify to exclude canceled or forgiven mortgage debt on your home, file Form 982 with your tax return

Homeownership Rate for the Second Quarter of 2017 in Each State and DC

http://www.businessinsider.com/homeownership-rate-state-map-2017-7

According to the U.S. Census Bureau, for the Second Quarter of 2017, Homeownership Rates, or the percentage of homes occupied by their owners, ranged from 39.2% in the District of Columbia to 75.9% in South Carolina. Overall, homeownership was lower in denser, more urbanized states, as city dwellers are more likely to rent their homes.

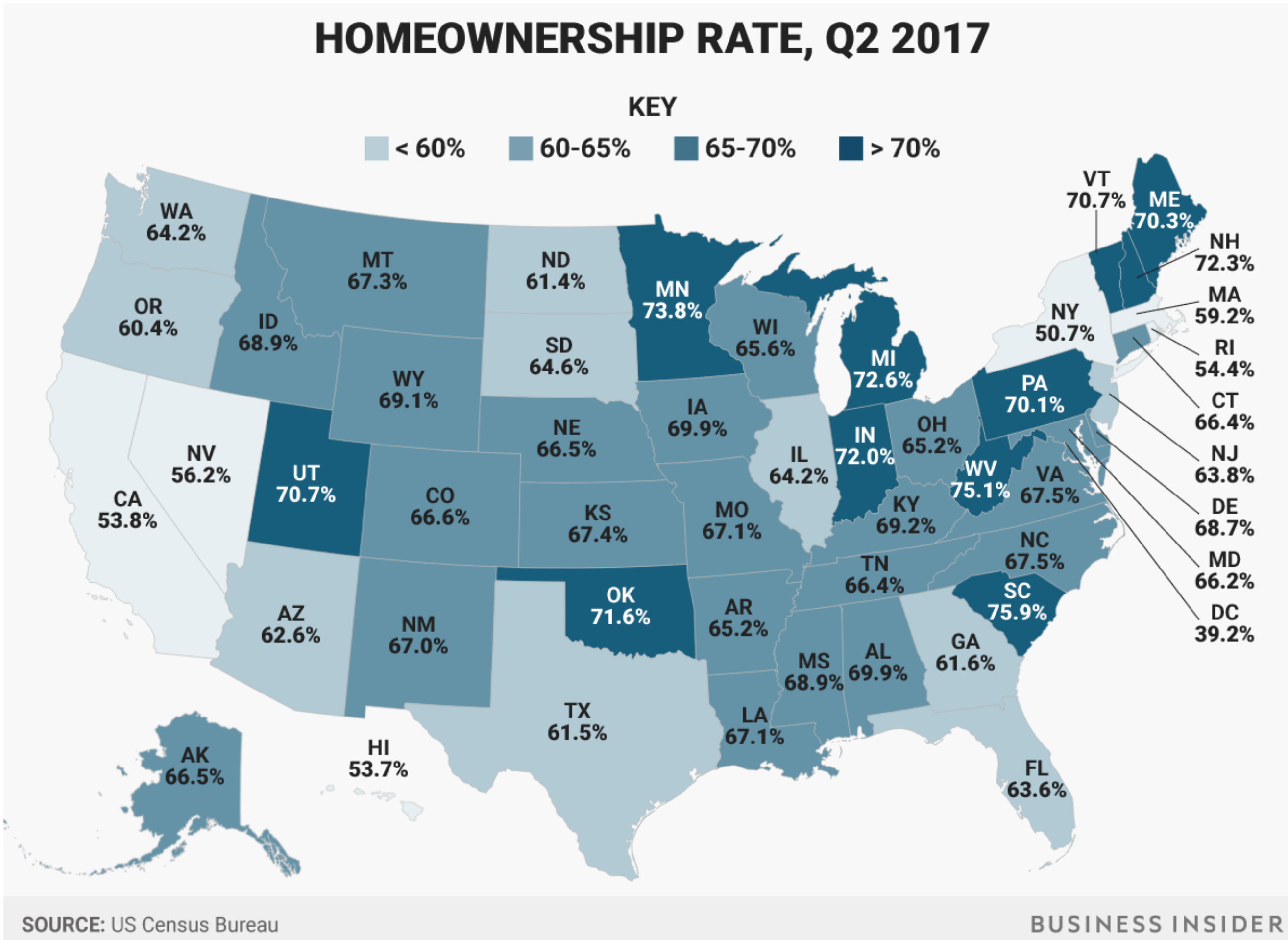
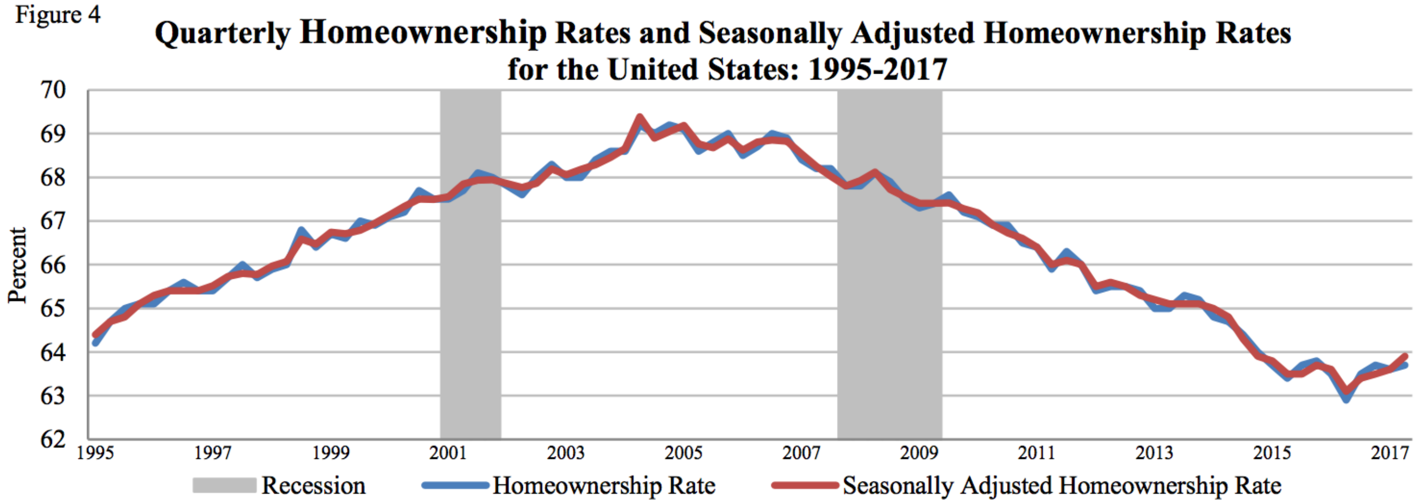


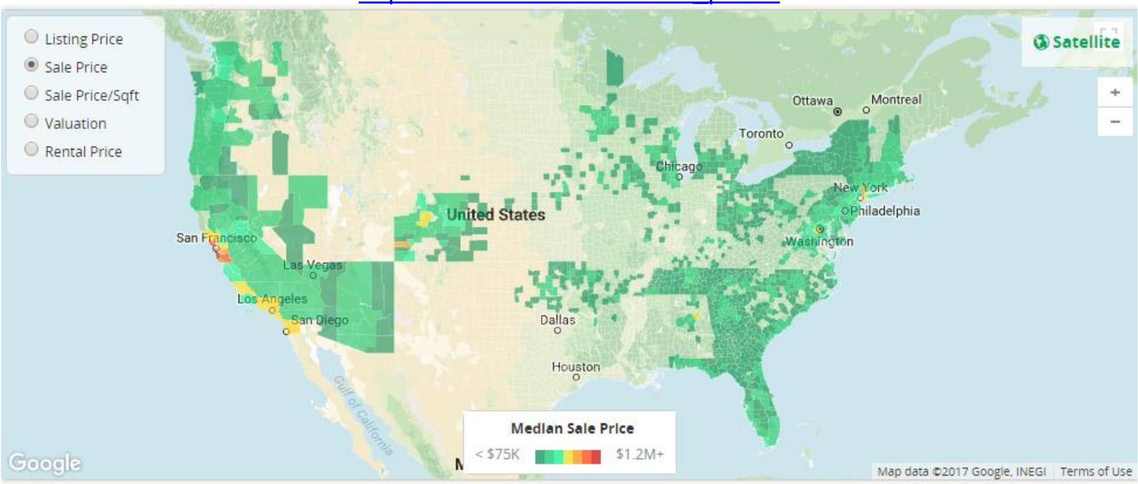
Figure 4



https://www.housingwire.com/articles/40799-millennials-drive-up-homeownership-rate-in-q2

U.S. Median Sales Price, Trulia Popularity, Date Range: May - Aug 2017

https://www.trulia.com/home_prices



U.S. States	Avg. Listing Price	Median Sales Price	Trulia Popularity (Website Traffic)
District Of Columbia	$773,286	$625,000	-
California	$697,539	$462,000	1
Hawaii	$905,687	$442,500	49
New York	$565,227	$430,000	4
Massachusetts	$602,210	$379,000	7
Washington	$378,565	$332,719	17
Colorado	$538,477	$331,000	19
Vermont	$306,034	$325,000	46
Oregon	$416,718	$315,000	20
Virginia	**$341,015**	**$297,500**	**5**
Maryland	$369,454	$290,000	33
New Jersey	$372,916	$290,000	12
Rhode Island	$405,450	$256,000	45
Connecticut	$435,585	$253,500	22
Nevada	$331,971	$249,300	8
New Hampshire	$310,914	$245,000	34
Minnesota	$290,514	$240,000	42
Arizona	$322,398	$225,000	15
Florida	$406,803	$218,000	3
Illinois	$277,163	$212,000	39
North Carolina	$276,389	$210,000	13
Delaware	$303,971	$210,000	44

U.S. States	Avg. Listing Price	Median Sales Price	Trulia Popularity (Website Traffic)
Wisconsin	$223,480	$197,000	40
Georgia	$296,535	$193,000	14
Pennsylvania	$224,090	$191,000	6
Tennessee	$268,692	$190,000	9
South Carolina	$291,636	$181,500	18
Nebraska	$230,000	$178,000	43
South Dakota	$238,163	$177,500	48
Alabama	$212,733	$171,500	10
Kentucky	$213,848	$170,000	26
Michigan	$212,694	$164,000	11
Iowa	$185,087	$157,000	47
Arkansas	$191,446	$156,000	16
Ohio	$190,371	$154,900	24
Oklahoma	$201,091	$150,000	23
West Virginia	$174,865	$136,500	37
Missouri	$204,506	-	30
North Dakota	$226,863	-	50
Alaska	$267,404	-	31
Idaho	$349,000	-	25
Indiana	$190,843	-	28
Kansas	$187,649	-	32
Louisiana	$232,610	-	41
Maine	$275,717	-	27
Mississippi	$195,390	-	38
Montana	$314,959	-	35
New Mexico	$254,798	-	21
Texas	$320,067	-	2
Utah	$440,946	-	29
Wyoming	$291,855	-	36