From the desk of
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Tax Facts about the Sale of your Personal Residence

All income is taxable unless otherwise excluded or exempted by the IRS Tax Code.

One of those exclusions relates to the first $250,000 or $500,000 of gain from the sale of your qualified personal residence depending upon your marital status.

Exclusion of Gain

You may be able to exclude all or part of the gain from the sale of your personal home. This rule may apply if you meet the eligibility test. That test involves the ownership and use of the home.

You must have owned and used it as your main home for at least two out of the five years before the date of sale.

Exclusion Limit

The gain you can exclude from tax is $250,000 if you are single.

The limit is $500,000 for married couples filing joint income returns.

The Net Investment Income Tax will not apply to the excluded gain.

While the IRS states that you may not need to report the sale of your home if the gain is not taxable it is advisable to do so as the IRS in many instances inquires as to the details of many sales after the fact causing great concern and consternation to many taxpayers when they receive an IRS inquiry relating to the excluded sale.

You are required to report the sale of your personal residence on your tax return if you cannot exclude all or part of the gain.

Generally, you may exclude the gain from the sale of a personal residence once every two years.

If you own more than one home you may only exclude the gain on the sale of your principle residence, or tax home. Your tax home usually is the home that you live in most of the time.

Should you sell your primary residence at a loss, there is no deduction allowable for that loss as your residence is considered under tax law as a personal asset. Personal assets while taxable should you have a gain on sale do not allow for loss deductions should that take place.

One very important issue that many taxpayers miss is that should your spouse pass away it is important to obtain an appraisal of the property at the time of your spouse's death whether you plan to sell the property immediately or not as the cost basis of the property can be adjusted upwards to the market value at that time for tax purposes. In many instances this is a major tax saver.

Our emphasis at Muffoletto & Company is to provide you the proper guidance and understanding of the system so that you avoid taxes to the extent that the law allows.

Should you have questions relating to these matters, tax, financial, and accounting issues, give us a call at (818) 346-2160.

You can also visit us on the web at www.petemcpa.com!

We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service.
Should you have questions relating to any tax or financial matters, or if you know of someone that could benefit from our assistance feel free in calling us at (818) 346-2160, or you can visit us on the web at www.petemcpa.com!

Providing individuals, small businesses, corporations, partnerships, professionals, and other business entities with the necessary guidance and answers for a complex world.