

## *Sale of Residence IRS Rules and Guidelines*

Section 121 exclusion. For sales of a personal residence after May 6, 1997, a homeowner may exclude from income up to \$250,000 of gain and a married couple may exclude up to \$500,000 of gain realized on the sale. The deferral of gain rules under Section 1034 and the age 55-lifetime exclusion of \$125,000 have been repealed except for special transition rules.

**In General:** Individuals qualify to exclude up to \$250,000 under the following conditions:

**Ownership and use.** The individual must have owned and used the home as a principal residence for at least two out of the five years prior to the sale (the two years do not have to be consecutive) if there has been a divorce, you would need to see the exception to the use test.

**Frequency limitation.** The exclusion applies to only one sale every two years.

**Married Couples** qualify to exclude up to \$500,000 under the following conditions:

- **Joint Return:** The married couple must file a joint return
- **Ownership:** Either or both spouse (s) must have owned the residence for at least two out of the five years prior to the sale.
- **Use:** Both spouses must have used the residence as their principal residence for at least two out of the five years prior to sale
- **Frequency limitation:** Neither spouse may have sold a home more than once every two years.

For full details and or updates, changes, you should seek tax advice from your CPA or contact the IRS at [www.irs.gov](http://www.irs.gov)

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