

October 2019 TaxInsight



Selling Your House

Selling your home and moving to a new one is an enormous undertaking. While you're excited about your new home, there are many tasks to be completed. But what about the tax issues? Do you have to pay tax on any gain on the sale? Can you deduct a loss?

The first thing you need to know is that, generally, any gain from selling a personal-use asset is taxable, and any losses are non-deductible. So, if you sell your home for a loss, there is no tax benefit. But what about gain?

Gain is determined by the sales price over the basis. The basis in your house includes several components, such as:

1. Purchase price (the price you paid for the home)
2. Real estate taxes (if you paid real estate taxes the seller owed)
3. Settlement costs (basically, the closing costs)
4. Building costs (if you're building a house, the basis is the cost to build it)
5. Certain assessments (storm drains and sidewalks, for example)
6. Capital improvements (building an addition or adding central air)

If there is a gain on the sale of your personal residence, you may have to pay tax on that gain. However, there is an exclusion under Internal Revenue Code §121 that applies to most people. What it means is that if you meet certain requirements, you can exclude up to \$250,000 (\$500,000 for married couples filing jointly) of the gain from your income. Not bad.

What are the requirements? You must have owned the home and used it as your principal residence for at least two of the five years before the sale. For the most part, if you've owned your home for more than two years, the exclusion will apply, at least in part.

If you're selling your house, and need advice, give me a call and I can help you understand the tax implications.

Important Due Dates

- Individual Extension – October 15, 2019

Tax Notes

Special tax law provisions may help taxpayers and businesses recover financially from the impact of a major disaster. Both individuals and businesses in a federally declared disaster area can get a faster refund by claiming losses related to the disaster on their tax return for the previous year. This is usually done by filing an amended return. Depending on the circumstances, the IRS may grant additional time to file returns and pay taxes.

Following are the states with major disaster declarations thus far for 2019: Alabama, Arkansas, California, Idaho, Illinois, Iowa, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Vermont, West Virginia, and Wisconsin. To keep up with the major emergency declarations, go to www.fema.gov/disasters.

Did You Know?

October's birthstone is the opal. The first known opal relics were located in a cave in Kenya. Geologists believe these opals originated from Ethiopia around 4000 BC.

Quote Corner

"The ache for home lives in all of us, the safe place where we can go as we are and not be questioned."

~ Maya Angelou