

# Sale of Home Worksheet

## How to Compute Gain or Loss Worksheet

The process is the same for single family homes, condominiums, mobile homes, and all other types of homes.

- If Married Filing Jointly, compute gain or loss for both taxpayers together.
- If not filing jointly, or if there are two owners who are not married, determine a gain or loss amount for each individual. If ownership is joint, or is shared 50/50, the amount 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 amount is the gain or loss result from this worksheet multiplied by his or her ownership percentage.
- If the taxpayer used any portion of the property for business or rented it out, go to *Determine If the Taxpayer Has a Taxable Gain*, next page.

1) **Determine the sale price.** This is everything the taxpayer received for selling his or her home.

- 1a) All money (currency, check, wire transfer) ..... 1a) \_\_\_\_\_
- 1b) The fair market value of any other property or services received..... 1b) \_\_\_\_\_
- 1c) The value of any notes, mortgages, or other debts that the buyer agreed to assume (take over) as part of the sale..... 1c) \_\_\_\_\_
- 1d) Any real estate taxes the buyer paid on the taxpayer's behalf..... 1d) \_\_\_\_\_
- 1e) Any amount received for granting an option to buy the home, if the option was exercised..... 1e) \_\_\_\_\_
- 1f) Add lines 1a through 1e. This is the **sale price**..... 1f) \_\_\_\_\_
- **If payment received for personal property**, do not include it in the sale price (*examples*: furniture, draperies, rugs, washer and dryer, and lawn equipment).
  - **If payment received or reimbursement from an employer** because of a job transfer, do not include the payment as part of the selling price. The employer will include it as wages in box 1 of the taxpayer's Form W-2.
  - **If Form 1099-S was received**, 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 the taxpayer needs to determine the value of these and add them to the amount in box 2.
  - **If Form 1099-S was not received**, refer to the real estate transaction documents for the total amount received for the home.

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

- 2a) Any sales commissions (for example, a real estate agent's sales commission)..... 2a) \_\_\_\_\_
- 2b) Any advertising fees..... 2b) \_\_\_\_\_
- 2c) Any legal fees ..... 2c) \_\_\_\_\_
- 2d) Any mortgage points or other loan charges paid that would normally have been the buyer's responsibility..... 2d) \_\_\_\_\_
- 2e) Any other fees or costs to sell the home..... 2e) \_\_\_\_\_
- 2f) Add lines 2a through 2e. These are the **selling expenses**..... 2f) \_\_\_\_\_

3) **Calculate the "amount realized" (sale price minus selling expenses).** Line 1f minus line 2f ..... 3) \_\_\_\_\_

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

- 4a) The amount paid for the home (or if the home was built, the cost of the land). Include any down payment and any amount borrowed to pay for the home, such as a first or second mortgage, or notes the taxpayer gave the seller in payment for the home. For cooperative apartments, include the value of the corporation stock the taxpayer purchased. If the taxpayer acquired the home through inheritance, gift, bargain sale, trade, or anything except a fair market purchase, see *Basis and Holding Period Rules* chart, page 6-3, *TheTaxBook, 1040 Edition/Deluxe Edition* ..... 4a) \_\_\_\_\_
- 4b) Any settlement fees or closing costs paid when the taxpayer bought his or her home, except for financing-related costs (such as seller-paid points). The settlement statement should list the fees related to buying the home ..... 4b) \_\_\_\_\_
- 4c) Any real estate taxes or other costs paid on behalf of the seller the taxpayer bought his or her home from (and for which the seller never paid the buyer back) ..... 4c) \_\_\_\_\_
- 4d) Any amounts spent on construction, renovation, or other improvements that are still part of the home when the taxpayer sells it, but not costs of repairs and maintenance ..... 4d) \_\_\_\_\_
- 4e) Any amounts spent to repair damage to the home or the land it sits on..... 4e) \_\_\_\_\_
- 4f) Any special assessments for local improvements (such as special tax or condominium association assessments that are not merely for repairs or maintenance)..... 4f) \_\_\_\_\_
- 4g) Add lines 4a through 4f. This is the **total basis** ..... 4g) \_\_\_\_\_

*Sale of Home Worksheet continued*

- 5) **Determine any "basis adjustments"** (any payments, credits, or benefits that may need to be deducted from the basis).
- 5a) Any depreciation taken—or not taken but could have taken—for a home business or rental purposes..... 5a) \_\_\_\_\_
- 5b) Any casualty losses (such as flood or fire damage) claimed as a deduction on a federal tax return ..... 5b) \_\_\_\_\_
- 5c) Any insurance payments received or expected to be received for casualty losses ..... 5c) \_\_\_\_\_
- 5d) Any payments received for granting an easement, conservation restriction, or right-of-way ..... 5d) \_\_\_\_\_
- 5e) Any energy credits or subsidies that effectively paid the taxpayer back for improvements included in the total basis..... 5e) \_\_\_\_\_
- 5f) Any adoption credits claimed, or any nontaxable payments from an employer-sponsored adoption assistance program, used for improvements included in the total basis..... 5f) \_\_\_\_\_
- 5g) Any real estate taxes the seller paid on the buyer's behalf (and for which the buyer never paid the seller back). If the buyer reimbursed the seller, it does not affect basis ..... 5g) \_\_\_\_\_
- 5h) Any mortgage points the seller paid for the buyer when the home was purchased, but only if one of the following is true..... 5h) \_\_\_\_\_
- The home was bought sometime between December 31, 1991 and April 4, 1994 (including those days) AND the taxpayer deducted the points as home mortgage interest in the year they were paid, or
  - The home was bought after April 3, 1994 (whether the points were deducted or not).
- 5i) Any cancelled or forgiven mortgage debt amount that was excluded due to a bankruptcy or insolvency and not declared as income. For more information, see IRS Pub. 4681 ..... 5i) \_\_\_\_\_
- 5j) Any sales tax paid on the home (such as for a mobile home or houseboat) and then claimed as a deduction on a federal tax return ..... 5j) \_\_\_\_\_
- 5k) The value of any temporary housing the builder of the home provided for the buyer..... 5k) \_\_\_\_\_
- Use this equation:  

$$\text{Contract price} \times \text{Value of temporary housing} \div (\text{Value of temporary housing} + \text{Value of new home})$$
- 5l) Any gain postponed from a home sold before May 7, 1997 ..... 5l) \_\_\_\_\_
- 5m) Add lines 5a through 5l. This is the **basis adjustment**..... 5m) \_\_\_\_\_
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- 6) **Compute "adjusted basis" (total basis minus basis adjustments).** Line 4g minus line 5m ..... 6) \_\_\_\_\_
- If the adjusted basis is less than zero and the taxpayer went through a mortgage workout or other process resulting in forgiveness or cancellation of mortgage debt ("discharge of qualified principal residence indebtedness"), do not count any portion of the cancelled debt that is bringing the basis below zero.
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- 7) **Compute gain or loss (amount realized minus adjusted basis).** Line 3 minus line 6..... 7) \_\_\_\_\_
- If the *number is negative* (adjusted basis is greater than amount realized), the home was sold at a loss. This loss cannot be deducted, but the taxpayer does not need to pay any tax on the money received from selling the home.
  - If the *number is positive*, the home was sold at a gain. Go to *Determine if the Taxpayer Has a Taxable Gain*, next page.

## Determine If the Taxpayer Has a Taxable Gain

If the taxpayer completed "Business" and "Home" versions of the gain/loss worksheet, earlier, complete this worksheet only for the "Home" version.

### Section A.

**Determine the net gain. Complete this section only if any part of the home was used for business or rental purposes between May 6, 1997, and the date of sale. Otherwise, skip to Section B.**

- 1) Enter the gain from line 7, under *How to Compute Gain or Loss Worksheet*, previous page..... 1) \_\_\_\_\_
- 2) List the total of all depreciation deductions that were taken or could have been taken for the use of the home for business or rental purposes between May 6, 1997, and the date of sale..... 2) \_\_\_\_\_
- 3) Subtract the sum of Step 2 from the amount listed in Section A, Step 1. This is the net gain..... 3) \_\_\_\_\_

### Section B.

**Determine the non-qualified use gain. Complete this section only if the following apply: a) During the time the taxpayer owned the property there were periods of non-qualified use when neither the taxpayer nor spouse (or former spouse) used the property as the main residence; b) the periods of non-qualified use occurred after 2008; c) the periods of non-qualified use occurred before the last day the property was used as the taxpayer's or spouse's (or former spouse) principal residence prior to the date of sale. Do not include any period of non-qualified use that occurred after the last day that the taxpayer or spouse (or former spouse) used the property as the principal residence during the 5-year period prior to the date of sale.\* Otherwise, skip to Section C.**

\* **Note:** If the period of non-use was for (1) two years or less and due to a change in employment, a health condition, or other "unforeseen circumstance" described in *Nonqualified Use (Non-Use)*, page 6-24, *TheTaxBook, 1040 Edition/Deluxe Edition*, or (2) for 10 years or less and due to a "stop the clock" exception for certain military, intelligence, and Peace Corps personnel described in *Official duty election*, page 6-23, *TheTaxBook, 1040 Edition/Deluxe Edition*, then skip Section B.

- 1) Enter the amount from Section A, Step 1 or, if Section A was skipped, the gain from line 7 of *Sale of Home Worksheet*. 1) \_\_\_\_\_
- 2) Enter the total number of days after 2008 when neither the taxpayer nor spouse (or former spouse) used the home as a main residence. This number is the non-use days..... 2) \_\_\_\_\_
- 3) Enter the total number of days the taxpayer owned his or her home (counting all days, not just days after 2008). This number is the number of days owned..... 3) \_\_\_\_\_
- 4) Divide the non-use days by the days owned. This number is the non-residence factor..... 4) \_\_\_\_\_
- 5) Multiply the decimal from Section B, Step 4, by the amount listed in Section B, Step 1. This number is the non-qualified use gain..... 5) \_\_\_\_\_

### Section C.

**Determine the gain that is eligible for exclusion.**

IF...	THEN the gain that is eligible for exclusion is ...
Sections A and B were skipped	the gain from line 7, under <i>How to Compute Gain or Loss</i> , previous page.
Section A was completed, but Section B was skipped	the net gain, from Section A, Step 3.
Section B was completed (regardless of whether Section A was completed)	the gain from line 7, under <i>How to Compute Gain or Loss</i> , previous page, less nonqualified use gain, from Section B, Step 5.

The gain that is eligible for exclusion is \$ \_\_\_\_\_

### Section D.

**Determine if the gain is taxable.**

IF...	THEN ...
the gain that is eligible for exclusion from Section C is less than or equal to the exclusion limit from <i>Sale of Home—Partial Exclusion Worksheet</i> , Section C	the gain that is eligible for exclusion from the taxpayer's income is not to be reported on the taxpayer's return. This section only applies to the taxpayer's nonqualified use gain.
the gain that is eligible for exclusion from Section C is greater than the exclusion limit from <i>Sale of Home—Partial Exclusion Worksheet</i> , Section C	some of the gain is not excludable, and the taxpayer may owe tax on it. See <i>Reporting Sale of Residence</i> , page 6-25, <i>TheTaxBook, 1040 Edition/Deluxe Edition</i> , for instructions on how to report the gain on the tax return.