DECISION TREE DOES YOUR HOME SALE QUALIFY FOR THE EXCLUSION OF GAIN?

Start here.

What are the Eligibility Steps?

They are 6 steps that determine whether you are eligible for the Maximum Exclusion of gain. The Maximum Exclusion is \$250,000 or \$500,000 if married filing

Did you meet the following ELIGIBILITY STEPS?

STEP ONE

AUTOMATIC DISQUALIFICATION You are not eligible for the exclusion if you acquired the property through a likekind exchange during the past 5 years* you are subject to expatriation tax.**

STEP TWO

OWNERSHIP

You meet the Ownership Step if you owned the home for at least 2 years out of the last 5 years leading up to the date of sale/closing.***

STEP THREE

RESIDENCE

You meet the Residence Step if you owned the home and used it as your residence for at least 2 years of the previous 5 years.****

STEP FOUR

LOOK-BACK

You meet the Look-Back Step if you didn't sell another home during the 2-year period before the date of sale OR if you did sell anther home during this period, you didn't take a gain exclusion.

STEP FIVE

EXCEPTIONS

Under the Exceptions Step, you may qualify for the exclusion if certain situations apply to you. Some of the situations are divorce, death of a spouse, home condemnation, and home rental. *****

STEP SIX

FINAL DETERMINATION OF ELIGIBILITY

If you met the Ownership, Residence, and Look-Back steps, taking the Exceptions Step into account, then you qualify for the maximum exclusion.

- See IRS Publication 544 for more information.
- See IRS Publication 519 for more information.
- For a married couple filing jointly, only one spouse has to meet the ownership requirement.
- The 2 years of residency can fall anywhere within the 5-year period and doesn't have to be a single block of time.
- See IRS Publication 523 for other exceptions.

NO

PARTIAL EXCLUSION The Partial Exclusion is a percentage of the **Maximum Exclusion** using the shortest of residence, ownership, or look-back periods over 2 years. See IRS Publication 523 for more information.

USEFUL IRS PUBLICATIONS

Pub. 523 Selling Your Home

Pub. 551 Basis of Assets

Pub. 587 Business Use of Your Home