Sale of Home > Source: Publication 523 (2021), Selling Your Home

Worksheet 1. Find Your Exclusion Limit

Use this worksheet only if no automatic disqualifications apply, and take all exceptions into account.

A) Determine if you are eligible for the maximum exclusion limit.

Status	You are eligible for the maximum exclusion if...	Maximum exclusion	If you're not eligible for the maximum exclusion limit, then you should...
Married filing jointly	Both spouses meet the residence and look-back requirements and one or both spouses meet the ownership requirement.	$500,000	Determine if either spouse is eligible for the full limit as a single person. If not, determine if either spouse is eligible for a partial exclusion.
Single, married filing separately	You meet the residence, ownership, and look-back requirements.	$250,000	Determine if you are eligible for a partial exclusion.
Widowed	1. You sell your home within 2 years of the death of your spouse. 2. You haven't remarried at the time of the sale. 3. Neither you nor your late spouse took the exclusion on another home sold less than 2 years before the date of the current home sale. 4. You meet the 2-year ownership and residence requirements (including your late spouse's times of ownership and residence, if applicable).	$500,000	Determine if you are eligible for the full limit as a single person. If not, determine if you are eligible for a partial exclusion.

B) Complete this section only if you have determined that you aren't eligible for the maximum exclusion but are eligible for a partial exclusion. If you are eligible for a partial exclusion, use this section to determine your exclusion limit.

Step 1	Determine the shortest of the following 3 periods:	
	1. Your time of residence in the home during the 5-year period leading up to the sale	______
	2. Your time of ownership of the home leading up to the sale	______

	3. The time that has elapsed between the sale and the date you last sold a home for which you took the exclusion, if applicable	______
Step 2	Take the smallest period from Step 1 (you may use days or months) and divide that number by 730 (if using days) or 24 (if using months)	______
Step 3	Multiply the result from Step 2 by $250,000. Stop here if not married filing jointly	______
Step 4	Repeat Steps 1–3 for your spouse and add the two results	______

C) Your exclusion limit is $____________. Unless you have taxable gain from business or rental use (see *Business or Rental Use of Home*), only gain in excess of this amount is taxable.

Figuring Gain or Loss

To figure the gain or loss on the sale of your main home, you must know the selling price, the amount realized, and the adjusted basis. Subtract the adjusted basis from the amount realized to get your gain or loss.

Selling price

– Selling expenses

Amount realized

– Adjusted basis

Gain or loss

A positive number indicates a gain; a negative number indicates a loss.

Certain events during your ownership, such as use of your home for business purposes or your making improvements to it, can affect your gain or loss. They are explained in this section.

See Worksheet 2, later, for steps you should follow to figure your gain or loss.

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Basis Adjustments—Details and Exceptions

You should include many, but not all, costs associated with the purchase and maintenance of your home in the basis of your home. For more information on determining basis, see Pub. 551, Basis of Assets.

Fees and Closing Costs

Some settlement fees and closing costs you can include in your basis are:

- Abstract fees (abstract of title fees),
- Charges for installing utility services,
- Legal fees (including fees for the title search and preparing the sales contract and deed),
- Recording fees,
- Survey fees,
- Transfer or stamp taxes, and
- Owner's title insurance.

Settlement costs don't include amounts placed in escrow for the future payment of items such as taxes and insurance.

Some settlement fees and closing costs you can't include in your basis are:

- Fire and casualty insurance premiums,
- Rent for occupancy of the house before closing,
- Charges for utilities or other services related to occupancy of the house before closing,
- Any fee or cost that you deducted as a moving expense (allowed for certain fees and costs before 1994),
- Charges connected with getting a mortgage loan, such as:
    1. Mortgage insurance premiums (including funding fees connected with loans guaranteed by the Department of Veterans Affairs),
    2. Loan assumption fees,
    3. Cost of a credit report,
    4. Fee for an appraisal required by a lender
    5. Points (discount points, loan origination fees), and
- Fees for refinancing a mortgage.

Construction.

If you contracted to have your house built on the land you own, your basis is:

- The cost of the land, plus

- The amount it cost you to complete the house, including:
    1. The cost of labor and materials,
    2. Any amounts paid to a contractor,
    3. Any architect's fees,
    4. Building permit charges,
    5. Utility meter and connection charges, and
    6. Legal fees directly connected with building the house.

Your cost includes your down payment and any debt such as a first or second mortgage or notes you gave the seller or builder. It also includes certain settlement or closing costs. In addition, you must generally reduce your basis by points the seller paid you.

If you built all or part of your house yourself, its basis is the total amount it cost you to complete it. Don’t include in the cost of the house:

- The value of your own labor, or
- The value of any other labor for which you didn’t pay.

Costs owed by the seller that you paid.

You can include in your basis any amounts the seller owes that you agree to pay (as long as the seller doesn’t reimburse you), such as:

- Any real estate taxes owed up through the day before the sale date,
- Back interest owed by the seller,
- The seller's title recording or mortgage fees,
- Charges for improvements or repairs that are the seller's responsibility (for example, lead paint removal), and
- Sales commissions (for example, payment to the seller's real estate agent).

Improvements

Improvements add to the value of your home, prolong its useful life, or adapt it to new uses. You add the cost of additions and improvements to the basis of your property.

The following chart lists some examples of improvements.

Examples of Improvements That Increase Basis

Additions	**Systems**
Bedroom	Heating system
Bathroom	Central air conditioning
Deck	Furnace
Garage	Duct work
Porch	Central humidifier

Patio	Central vacuum
	Air/water filtration systems
	Wiring
	Security system
Lawn & Grounds	Lawn sprinkler system
Landscaping	
Driveway	
Walkway	
Fence	
Retaining wall	
Swimming pool	
	Plumbing
Exterior	Septic system
Storm windows/doors	Water heater
New roof	Soft water system
New siding	Filtration system
Satellite dish	
	Interior
Insulation	Built-in appliances
Attic	Kitchen modernization
Walls	Flooring
Floors	Wall-to-wall carpeting
Pipes and duct work	Fireplace

Repairs done as part of larger project.

You can include repair-type work if it is done as part of an extensive remodeling or restoration job. For example, replacing broken windowpanes is a repair, but replacing the same window as part of a project of replacing all the windows in your home counts as an improvement.

Examples of improvements you CAN'T include in your basis.

You can't include:

- Any costs of repairs or maintenance that are necessary to keep your home in good condition but don't add to its value or prolong its life. Examples include painting (interior or exterior), fixing leaks, filling holes or cracks, or replacing broken hardware.
- Any costs of any improvements that are no longer part of your home (for example, wall-to-wall carpeting that you installed but later replaced).
- Any costs of any improvements with a life expectancy, when installed, of less than 1 year.

Exception.

The entire job is considered an improvement if items that would otherwise be considered repairs are done as part of an extensive remodeling or restoration of your home. For example, if you have a casualty and your home is damaged, increase your basis by the amount you spend on repairs that restore the property to its pre-casualty condition. However, you must adjust your basis by any amount of insurance reimbursement you receive or expect to receive for casualty losses. See Worksheet 2, line 5.

Energy credits and subsidies.

If you included in your basis the cost of any energy-related improvements (such as a solar energy system), and you received any tax credits or subsidies related to those improvements, you must subtract those credits or subsidies from your total basis. Examples include:

- *1977–1987:* Credit for home energy improvements,
- *1992–present:* Direct or indirect subsidy from a public utility for installations or modifications aimed at lowering a home's electricity or natural gas usage or better managing its energy demand,
- *2006–present:* Credit for home energy efficiency improvements,
- *2006–present:* Credit for qualified solar electric property expenditures and qualified solar water heating property expenditures available, and
- *2006–2007, 2009–present:* Credit for energy improvements to non-business properties.