



Newsletter

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Thought you'd find this helpful:

New Rules Help Taxpayers Selling Their Principal Residences

IRC section 121 states that if a principal residence is owned and occupied by the taxpayer for two out of the last five years then the first \$250K of gain (\$500K for married couple) is income tax excluded.

1. Generally the home in which you spend the majority of time during the tax year will be your principal residence for that year. You can only have one principal residence in any tax year.
2. Adjacent vacant land used as part of the taxpayer's principal residence can also be included in the exclusion.
3. If you rent the residence that does not disqualify the sale from tax exclusion as long as the two out of the last five year rule is met. If part of the residence is used for business or income no allocation of gain is necessary unless the business or income portion is physically separated from the principal residence portion.
4. In the event the principal residence is sold prior to a two year holding period then a partial exclusion is available if the sale was necessitated by a change in place of employment, due to health condition, or due to unforeseen circumstances. Examples of unforeseen circumstances include a death in the family, a divorce, or multiple births.

Expertise makes the difference. Call us with any 1031 exchange question.

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