

Federal Income Tax Consequences When You Sell Your Residence

Current Federal Income Tax Laws allow many homeowners to sell their residence at a profit without Federal Tax consequences. The exceptions include:

- Individuals who realize more than \$250,000 appreciation the sale.
- Married couples who experience more than \$500,000 appreciation on the sale.
- Those who do not meet the residency requirement. This can be interpreted to mean that the homeowner must have owned the home for at least two years and have lived in the home for at least two of the past five years while owning the home.

Homeowners who's residence has appreciated by more than \$250,000 should exercise extra caution in planning their personal and financial affairs.

- Collect and save records proving that improvements were made. Improvements are added to your cost basis when computing appreciation. Proof that you made improvements will prevent you from paying taxes you do not owe.
- Get tax savvy advice when entering into or altering marital relationships.
- Get professional advice and explore all your options when considering transactions or different arrangements regarding your residence. Federal Income Tax consequences as well as State and Local Taxes should be considered when making changes.
- All homeowners who have claimed or want to claim depreciation on their home for Federal Income Tax Purposes must deal with "Depreciation Recapture Rules" when they sell. The laws keep changing and it is important to get current information at the time your Federal and State tax returns are due.

Laws and rules are constantly changing, special situations often create exceptions to the above general rules and the rules are subject to interpretation. The above information is a general guide to assist individuals when discussing their specific situation with professional tax advisors.



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The business card features a background image of a house with a "FOR SALE" sign. A small portrait photo of Eric Giat is positioned on the right side of the card.