

Since 1963

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Tax Breaks

Selling a home

Selling a home can be hectic. In the hustle and bustle of showing your home to prospective buyers and packing your belongings for a move to a new location, you have probably given little thought to the income tax treatment of your sales proceeds.

If that is the case, we have good news for you. In most cases, little or no income tax is due on the profits from the sale of a home. Under today's U. S. tax rules, the first \$250,000 of profits (\$500,000 if you are married and file jointly) from the sale of your primary residence can be excluded from taxable income. To qualify for this important tax break, you must have owned and used the home as your principal residence for at least two of the five years ending on the date of your sale. Pennsylvania no longer taxes the profit on the sale of your primary residence. New Jersey follows the U. S. income tax rules.

Do not assume, however, that your home sale profits are fully taxable if you have lived in your home for less than two years. A little-known tax law rule provides for a reduced exclusion allowance when a quick sale of a home is necessitated by unforeseen circumstances. That reduced allowance may still shelter your entire profit from tax. For example, if a home is sold after just one year, a single taxpayer generally may exclude up to \$125,000 of profits from tax while a married couple may exclude up to \$250,000.

What kind of unforeseen circumstances will entitle you to claim a reduced home sale exclusion? No hard and fast rules apply, but here are some examples of situations in which the IRS will automatically allow a reduced exclusion:

- Job related move,
- Move necessitated by a natural disaster,
- Death in the family,
- Multiple births.
- Relocation for health reasons,
- Job loss,
- Divorce or separation, and

Moreover, other situations would justify the use of a reduced exclusion.

If you are uncertain about the proper tax treatment of your home sale proceeds, we shall be happy to advise you.



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