

## Tax Matters to Consider When Selling a Home

Individuals selling their home should consider the following tax matters:

**Principal residence exclusion.** Taxpayers may qualify to exclude from income all or part of any gain from the sale of their home ("principal residence exclusion"). To qualify for this exclusion, the taxpayer must meet ownership and use tests.

1. *Ownership test.* The homeowner must have owned the home for at least two years of the five-year period ending on the date of the sale.

2. *Use test.* The homeowner must have used the home as their main residence for at least two years of the five-year period ending on the date of the sale.

**Limits on the exclusion.** The principal residence exclusion is limited to \$250,000 (\$500,000 for joint filers). Also, taxpayers may only claim the exclusion once during a two-year period.

*Note.* In certain circumstances, taxpayers who fail the two-out-of-five-year ownership and use tests may still be eligible to claim a partial primary residence exclusion if their main reason for the home sale was a change in workplace location, a health issue, or another unforeseeable event.

Homeowners who can exclude all their gain on a home sale do not need to report the sale on their tax return unless a [\*\*Form 1099-S, Proceeds from Real Estate Transactions\*\*](#), was issued to them.

**Losses from the sale of a home.** Taxpayers who sell their home at a loss (they sell the home for less than its adjusted basis) can't deduct the loss.

*Note.* The IRS provides [\*\*worksheets\*\*](#) for taxpayers to use to figure the adjusted basis of the home they sold, the gain or loss on the sale, and the amount of gain on the sale that can be excluded from income.

**Taxpayers with multiple homes.** Taxpayers with multiple homes can exclude gain only from the sale of their principal residence. They can't exclude any gain from the sale of any other home.

*Note.* Taxpayers with multiple homes can sell their main home, move to an already owned second home, such as a vacation home, and turn that second home into their principal residence. Once they satisfy the ownership and use tests for the second home, the taxpayer can exclude gain on the sale of this second residence.

**Reporting the sale.** Taxpayers who don't qualify to exclude all of the taxable gain from their income must report the gain from the sale of their home when they file their tax return. Anyone who chooses not to claim the exclusion must report the taxable gain on their tax return. Taxpayers who receive a [\*\*Form 1099-S\*\*](#) must report the sale on their tax return even if they have no taxable gain.

**Mortgage debt.** Taxpayers who sell their home for less than the amount of their mortgage (short sale) can exclude the amount discharged or forgiven from income as long as the amount was discharged before January 1, 2026, or a written agreement for the debt forgiveness was in place before January 1, 2026.

If you have any questions, please call the partner or staff servicing your account.

This information has been provided by Gold Gerstein Group, LLC.

Moorestown Office: (856) 727-0100

Voorhees Office: (856) 770-1400



**GOLD GERSTEIN GROUP LLC**

Certified Public Accountants and Consultants