

## Topic 701 - Sale of Your Home

A home is often a person's most valuable capital asset. If you have a gain from the sale of your main home, you may qualify to exclude up to \$250,000 of that gain from your income. You may qualify to exclude up to \$500,000 of that gain if you file a joint return with your spouse.

[Publication 523](#), *Selling Your Home*, provides rules and worksheets. [Topic 409](#) covers general capital gain and loss information.

In general, to qualify for the exclusion, you must meet both the ownership test and the use test. You are eligible for the exclusion if you have owned and used your home as your main home for a period aggregating at least two years out of the five years prior to its date of sale. You can meet the ownership and use tests during different 2-year periods. However, you must meet both tests during the 5-year period ending on the date of the sale. Generally, you are not eligible for the exclusion if you excluded the gain from the sale of another home during the two-year period prior to the sale of your home. Refer to [Publication 523](#) for the complete eligibility requirements, limitations on the exclusion amount, and exceptions to the two-year rule.

If you receive an informational income-reporting document such as [Form 1099-S](#) (PDF), *Proceeds From Real Estate Transactions*, you must report the sale of the home, even if the gain from the sale is excludable. Additionally, you must report the sale of the home if you cannot exclude all of your capital gain from income. Use [Form 1040, Schedule D](#) (PDF), *Capital Gains and Losses*, and [Form 8949](#) (PDF), *Sales and Other Dispositions of Capital Assets*, when required to report the home sale. Refer to [Publication 523](#) for the rules on reporting your sale on your income tax return.

If you, or your spouse, is on qualified official extended duty in the Uniformed Services, the Foreign Service, or the intelligence community, you may elect to suspend the five-year test period for up to 10 years. You are on qualified official extended duty if, for more than 90 days or for an indefinite period, you are:

- At a duty station that is at least 50 miles from your main home, or
- Residing under government orders in government housing.

Refer to [Publication 523](#) for more information about this special rule to suspend the 5-year test.

If you sold your home under a contract that provides for all or part of the selling price to be paid in a later year, you made an "installment sale." If you have an installment sale, report the sale under the installment method unless you elect out. Refer to [Topic 705](#), *Installment Sales*, for more information.