

New Tax Law Benefits Home Sellers

New Law Allows \$500,000 Tax Exclusion

Individual taxpayers now may exclude up to \$250,000 (*\$500,000 in the case of a married couple filing a joint return*) of profit realized on the sale or exchange of a principal residence.

Rollover And Over Age 55 Exclusion Rules Are Eliminated

Under the new tax law, there are no longer any requirements to roll over home sale proceeds and reinvest them into a home of equal or greater value in order to earn a tax exclusion. The Over Age 55 one time exclusion rules have also been eliminated. (*The \$250,000 / 500,000 tax exclusions are available without age restriction.*)

Some Reporting Requirements Eliminated

The new law excludes sales of personal residences with a gross sales price of \$500,000 or less (*\$250,000 or less for a single seller*) from the requirement to report real estate sales to the IRS.

New Benefit Available Once Every Two Years

Taxpayers who have owned and occupied a home as a principal residence for at least two of the previous five years prior to any sale or exchange can take full advantage of the exclusion. (*There is a special formula provided to give partial exclusion to those who cannot satisfy the two-year requirement.*)

New & Old Tax Laws Overlap

New Law Effective May 7, 1997. Old Law Continues until Aug. 4, 1997.

The new real estate tax exclusions can apply to gains on sales or exchanges occurring on or after May 7, 1997. The prior law can apply until August 4, 1997. (Yes, the old and new laws overlap.) From May 7 until Aug. 4, both sets of rules are in effect. People who sell their home during that period (or sell at a later date pursuant to a binding contract in effect by Aug. 4, 1997), can choose which rule they want to be governed by.

This information has been summarized.

For complete details, seek the advice of a CPA or other Tax Professional

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