Form **2119**

Department of the Treasury
Internal Revenue Service

Sale or Exchange of Personal Residence

▶ See instructions on back.
▶ Attach to Form 1040.

1979

Note: *Do not include expenses that are deductible as moving expenses on Form 3903.*

Name(s) as shown on Form 1040 | Your social security number

1(a) Date former residence sold ▶

(b) Have you ever postponed any gain on the sale or exchange of a personal residence? . . . — Yes / No

(c) Have you ever claimed a credit for purchase or construction of a new principal residence? . . (If "Yes," see Form 5405.)

(d) If you were on active duty in the U.S. Armed Forces or outside of the U.S. after the date of sale of former residence, enter dates. From ____ to ____

(e) If married at time of sale, was the residence owned by: ☐ you, ☐ your spouse, ☐ both of you.

(f) Social security number of spouse at time of sale, if different from number on Form 1040 ▶

2(a) Date new residence was bought ▶

(b) If new residence was constructed by you, date construction began ▶

(c) Date you occupied new residence ▶

(d) If you answered "Yes" to 1(c), did anyone live in your new replacement residence before you did? . . . . — Yes / No

(e) Were both the old and new properties used as your principal residence? . . . . . . — Yes / No

(f) Were any rooms in either residence rented out or used for business at any time? . . . (If "Yes," see note in line 8 and attach computation.)

(g) If you were married, do you and your spouse have the same proportionate ownership interest in your new residence as you had in your old residence? . . . . (If "No," see the Consent below.)

3 (a) Were you 55 or over on date of sale? . . .
Was your spouse 55 or over on date of sale? .

(b) If you answered "Yes" to 3(a), did you own and use the property sold as your principal residence for a total of at least 3 years (except for short temporary absences) of the 5-year period before the sale? . . . . . (If you are 65 or over, see instruction C.)

(c) If you answered "Yes" to 3(b), do you elect to exclude gain on the sale from your gross income? . . . . (If "Yes," check Yes box and fill in lines 15–20 below.)

Computation of Gain and Adjusted Sales Price

4 Selling price of residence. (Do not include selling price of personal property items.)	4	
5 Commissions and other expenses of sale	5	
6 Amount realized (subtract line 5 from line 4)	6	
7 Basis of residence sold	7	
8 Gain on sale (subtract line 7 from line 6). If line 7 is more than line 6 there is no gain. Do not complete the rest of form. A loss on the sale of a personal residence is not deductible	8	

Note: *Do not include in line 8 the amount attributable to rented rooms or other business purposes; instead, report separately on Form 4797.*

9 Fixing-up expenses	9	
10 Adjusted sales price (subtract line 9 from line 6)	10	

Computation of Gain to be Reported and Adjusted Basis of New Residence
(Complete lines 11 through 14 if you did not check "Yes" to question 3(c).)

11 Cost of new residence	11	
12 Gain taxable this year (line 10 less line 11, but not more than line 8). If line 11 is more than line 10, enter zero. Enter on Schedule D (Form 1040), line 1 or 9, column g	12	
13 Gain on which tax is to be postponed (subtract line 12 from line 8)	13	
14 Adjusted basis of new residence (subtract line 13 from line 11)	14	

Exclusion, Gain to be Reported, and Adjusted Basis of New Residence
(For use of taxpayers 55 years of age or over who checked "Yes" in 3(c) above.)

15 Exclusion: Enter the smaller of line 8 or $100,000 ($50,000, if married filing separately)	15	
16 Part of gain included (subtract line 15 from line 8)	16	
17 Cost of new residence. If a new personal residence was not bought, enter "None," and do not complete the rest of form. Enter the amount from line 16 on Schedule D (Form 1040), line 9, column g	17	
18 Gain taxable this year. (Subtract the sum of lines 15 and 17 from line 10.) This amount may not be more than line 16. If line 17 plus line 15 is more than line 10, enter zero. Enter here and on Schedule D (Form 1040), line 9, column g	18	
19 Gain on which tax is to be postponed (subtract line 18 from line 16)	19	
20 Adjusted basis of new residence (subtract line 19 from line 17)	20	

Consent of You and Your Spouse to Apply Separate Gain on Sale of Old Residence to Basis of New Residence
(Applies only if you and your same spouse use both residences as your principal residence. See instruction D.)

The undersigned taxpayers, you and your spouse, consent to have the basis of the joint or separate interest in the new residence reduced by the amount of the joint or separate gain on the sale of the old residence which is not taxable only because of the filing of this Consent.

Your signature ▶ Date ▶

Spouse's signature ▶ Date ▶

		Your part	Spouse's part
21 Adjusted sales price of old residence (from line 10)	21		
22 Cost of new residence (from line 11 or 17)	22		

Instructions

General Instructions

A. Purpose of Form.—Use this form to report the gain on the sale of your principal residence if you replace it with a new principal residence and meet the requirements discussed below. Also use this form if you are 55 or over, and want to exclude gain on the sale of your principal residence.

If the above does not apply, report the gain on Schedule D (Form 1040). A loss is not deductible.

B. Postponement of Gain on Sale of Principal Residence.—Tax on part or all of the gain from the sale of your principal residence may have to be postponed if:

(1) within 18 months before or after the sale, you buy and occupy another principal residence; or

(2) before the sale or within 18 months after the sale, you begin construction of a new principal residence and occupy it within 18 months before and two years after the sale.

Use lines 4 through 14 to figure the gain, if any, that must be postponed.

Note: *If you are on active duty in the U.S. Armed Forces for more than 90 days or living and working outside the U.S., after the date of sale of your old residence, that time is not counted in figuring your replacement period. However, in no case is a postponement of gain permitted more than 4 years after the date of sale.*

Any gain not taxed in the year you sell your old residence is subtracted from the cost of your new residence, giving you a lower cost basis in your new residence. If you sell the new residence in a later year and do not replace it, the postponed gain will be taxed in that year. However, see instruction C. If you do replace it, you may continue to postpone the tax on the postponed gain.

Principal Residence.—Postponing gain applies only to the sale of your principal residence. Usually, the home in which you live is your principal residence. For example, this may be a house, houseboat, house trailer, cooperative apartment, or condominium.

If you have more than one residence, your principal residence is the one you physically occupy most of the time. If you change your principal residence more than once during the replacement period, only the last residence bought qualifies as your new residence for the purpose of postponing gain unless you sold the residence because of a job relocation and are allowed a moving expense deduction.

If you plan to replace your residence but have not done so by the time you file your return, and the replacement period has not expired, you should enter "none" in column g, Part I (if short-term), or Part II (if long-term) of Schedule D (Form 1040). Also, attach a computation of the gain and state that you have not yet bought a replacement residence.

If you buy a new residence after your return is filed but within the replacement period, and it costs you at least as much as the adjusted sales price of your old residence, you should notify in writing the Director of the Internal Revenue Service Center where you filed your return and attach Form 2119.

If your new residence costs less than the adjusted sales price of your old residence, or if you do not buy or start construction of your new residence within 18 months from the date of sale of your old residence, you must file Form 1040X with attached Schedule D for the year of the sale showing the amount of the gain you are required to report. Interest will be charged on the additional tax due on this gain.

If you paid tax on the gain from the sale of your old residence, and buy and occupy a new residence within the replacement period, you should file Form 1040X with attached Form 2119 if you are entitled to a refund.

C. Exclusion of Gain on Sale of Residence.—If you sold your principal residence, you may elect to exclude from your gross income part or all of the gain on the sale if:

(1) you were 55 or over before the date of the sale;

(2) you owned and occupied your residence for periods totaling at least 3 years within the 5 year period ending on the date of sale; and

(3) neither you nor your spouse have previously elected this exclusion after July 26, 1978.

If you meet these requirements, you may elect to exclude up to $100,000 of your gain on the sale. If you are married filing separately, however, you may elect to exclude up to only $50,000 of gain on each separate return. Make the election in question 3(a) through 3(c) and lines 15 through 20 of Form 2119. If you are 65 or over before the date of sale you may substitute 5 of the last 8 years for 3 of the last 5 years.

The amount of gain excluded from your gross income is never taxed. The balance of the gain, in excess of the amount excluded, is taxed in the year of sale, unless you buy a new residence during the replacement period.

Generally, you may make or revoke an election to exclude gain on the sale of your principal residence at any time within 3 years from the due date, including extensions, of the return for the year the residence was sold. Use Form 1040X to amend your return.

If the property is held by you and your spouse jointly, and you file a joint return with your spouse, only one of you must meet the age, ownership, and use requirements.

If the property is not jointly owned, only the spouse who owns the property must meet the requirements stated above, regardless of filing status on Form 1040.

If you are married at the time of sale, both you and your spouse must make the election to exclude the gain. If you do not file a joint return with that spouse, that spouse must indicate consent to the election by writing in the bottom margin of Form 2119 or an attached statement, "I consent to 3(c) election" and signing.

The election does not apply separately to you and your spouse. If you and your spouse make an election during marriage and later divorce, no further elections are available to either of you or to your new spouse if you remarry.

D. Consent of You and Your Spouse to Apply Separate Gain on Sale of Old Residence to Basis of New Residence.—Sometimes you or your spouse may own the old residence separately, but both of you may own the new residence jointly (or vice versa). In such cases, the gain from the sale of the old residence on which tax is postponed and the resulting adjustment to the basis of the new residence may be divided between you and your spouse. The division may be made only if:

(1) the old and new residences are each used by both of you as your principal residence; and

(2) Both of you file a consent with the Internal Revenue Service. Use the consent on the bottom of Form 2119.

If both of you do not consent, the recognition of gain from the sale of the old residence must be determined in the regular way with no division.

Line By Line Instructions

Line 4. Selling Price of Residence.—Enter the amount of money you received, the amount of all notes, mortgages or other liabilities to which the property was subject, and the fair market value of any other property you received.

Line 5. Commissions and Other Expenses of Sale.—This includes sales commissions, advertising expenses, attorney and legal fees, etc. incurred in order to sell the old residence. Loan charges, such as "loan placement fees" or "points" charged the seller, generally are considered to be a selling expense.

Line 7. Basis of Residence Sold.—This includes the original cost of the property, commissions, and other expenses incurred in its purchase, plus the cost of improvements, less the total of the depreciation allowed or allowable, all casualty losses previously allowed, any energy credit taken, and the postponed gain on the sale or exchange of a previous personal residence. For more information, see **Publication 551,** Basis of Assets.

Line 9. Fixing-up Expenses.—These are decorating and repair expenses incurred only to assist the sale of the old property. They must have been incurred for work performed within 90 days before the contract to sell was signed, and must have been paid for not later than 30 days after the sale. Do not include capital expenditures for permanent improvements or replacements which are added to the basis of the property sold.

Note: *Fixing-up expenses are considered* **only** *in figuring adjusted sales price to determine the gain on which tax is postponed or excluded. They are* **not** *deductible in determining the actual profit on the sale of your old residence if you do not buy a qualified replacement residence.*

Lines 11 and 17. Cost of New Residence.—The cost of your new residence includes one or more of the following:

(a) cash payments;

(b) the amount of any mortgage or other debt on the new residence;

(c) commissions and other purchase expenses you paid;

(d) construction costs (when you build your own residence) for the period beginning 18 months before and ending 2 years after the sale of the old residence; and

(e) where you buy rather than build your new residence, all capital expenditures made within 18 months before and 18 months after the sale of the old residence.

For more information, please get **Publication 523,** Tax Information on Selling or Buying Your Home, from your local IRS office.

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