Form **2119**

Department of the Treasury
Internal Revenue Service

Sale or Exchange of Principal Residence

▶ **See instructions on back.**

▶ **Attach to Form 1040 for year of sale (see instruction C).**

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Do not include expenses that you deduct as moving expenses.

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

1 (a) Date former residence sold ▶

(b) Enter the face amount of any mortgage, note (for example, second trust), or other financial instrument on which you will receive periodic payments of principal or interest from this sale ▶

2 (a) If you bought or built a new residence, enter date you occupied it; otherwise enter "none".

(b) Are any rooms in either residence rented out or used for business for which a deduction is allowed? . . . . . ☐ Yes ☐ No
(If "Yes" do not include gain in line 7 from the rented or business part; instead include in income on Form 4797.)

PART I.—Gain and Adjusted Sales Price

3 Selling price of residence. (Do not include selling price of personal property items.)				**3**	
4 Commissions and other expenses of sale not deducted as moving expenses				**4**	
5 Amount realized (subtract line 4 from line 3)				**5**	
6 Basis of residence sold	**6**				
7 Gain on sale (subtract line 6 from line 5). (If line 6 is more than line 5, enter zero and do not					

Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Purpose of Form.—Use Form 2119 to report gain from selling your principal residence, whether or not you buy another. A loss is not deductible. Use this form to postpone gain or make the one-time election to exclude it from your income.

Report any taxable gain on **Schedule D (Form 1040),** Capital Gains and Losses. However, if you sold your residence on the installment method, complete **Form 6252,** Computation of Installment Sale Income, in addition to Form 2119.

For more information, see **Publication 523,** Tax Information on Selling Your Home.

Principal Residence.—Postponement or exclusion of gain applies only to the sale of your principal residence. Usually, the home where you live is your principal residence. It can be for example, a house, houseboat, housetrailer, cooperative apartment, or condominium. If you have more than one residence, your principal residence is the one you physically occupy most of the time.

B. Postponing Gain on Sale of Principal Residence.—Unless you elect to exclude the gain in Part III, you may have to postpone it if you buy or build, and occupy another principal residence within 2 years before or after the sale.

If, after you sell your old residence, you are on active duty in the U.S. Armed Forces for more than 90 days, or you live and work outside the U.S., that time is not counted in figuring your replacement period. *However, this replacement period cannot extend beyond 4 years after the date of sale.*

If you sell the new residence in a later year and do not replace it, the postponed gain will be taxed then. If you do replace it, you may continue to postpone the gain. If you change your principal residence more than once during the replacement period, only the last residence you bought qualifies as your new residence for postponing gain, unless you sold the residence because of a job relocation and are allowed a moving expense deduction.

C. When to File.—File Form 2119 for the year of sale whether or not you replaced your principal residence.

In the following cases file 2 Forms 2119:

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, attach Form 2119 to Form 1040 for the year of sale, but complete lines 1 through 7 only. In that case, do not include the gain on Schedule D. If you replace it after you file your return, within the replacement period, and the new residence costs as much as the adjusted sales price of your old residence, write to notify the Director of the Internal Revenue Service Center where you filed your return. Attach a new Form 2119 for the year of sale.

If you replace your residence after you file your return, within the replacement period, and the new one costs less than the adjusted sales price of the old one, or you do not replace it within the replacement period, file **Form 1040X,** Amended U.S. Individual Income Tax Return, with a Schedule D and a new Form 2119 for the year of sale. Show the gain then. Interest will be charged on the additional tax due.

If you paid tax on the gain from selling your old residence and then buy a new one within the replacement period, file Form 1040X with Form 2119 to claim a refund.

D. Excluding Gain from Income.—You can elect to exclude from your income part or all of the gain from the sale of your principal residence if you meet the following tests:

1. You were 55 or over on the date of the sale.
2. Neither you nor your spouse has already elected this exclusion after July 26, 1978.
3. You owned and occupied your residence for periods totaling at least 3 years within the 5 years ending on the date of sale.

The exclusion election is a once-in-a-lifetime election, so you may choose not to make it now.

The gain excluded from your income is never taxed. The rest of your gain is taxed in the year of sale, unless you replace the residence and postpone that part of the gain. Generally, you can make or revoke the exclusion election within 3 years from the date the return for the year you sold the residence was due, including extensions. Use Form 1040X to amend your return.

Married Taxpayers.—If you and your spouse own the property jointly and file a joint return, only one of you must meet the age, ownership, and use tests for electing the exclusion. If you do not own the property jointly, only the owner must meet these tests, regardless of your 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 consent to the election by writing in the bottom margin of Form 2119 or on an attached statement, "I consent to Part III 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.

E. Applying Separate Gain to Basis of New Residence.—If you own the old residence separately, but you and your spouse own the new residence jointly (or vice versa) you and your spouse may elect to divide the gain and the adjusted basis if both of you:

1. use the old and new residences as your principal residence; and
2. sign a consent that says, "We consent to reduce the basis of the new residence by the gain from selling the old residence." Write this statement in the bottom margin of Form 2119 or on an attached sheet, and sign it. If you both do not sign the consent, determine the recognition of gain in the regular way with no division.

Line-By-Line Instructions

Use Parts I and II to figure the gain that must be postponed. Complete Parts I and III if you elect the one-time exclusion.

Line 3. 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.

Note: *Report interest from a note as income for the tax year in which the interest is received.*

Line 4. 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 are selling expenses. Do not include amounts deducted as moving expenses.

Line 6. Basis of Residence Sold.—Include the original cost of the property, commissions, and other expenses incurred in buying it, plus the cost of improvements. Subtract any depreciation allowed or allowable, any casualty loss or energy credit you took on the residence, and the postponed gain on the sale or exchange of a previous principal residence. For more information, see **Publication 551,** Basis of Assets.

Line 8. Fixing-up Expenses.—These are decorating and repair expenses incurred only to help sell the old property. You must have incurred them for work performed within 90 days before the contract to sell was signed, and paid for within 30 days after the sale. Do not include capital expenditures for permanent improvements or replacements that are added to the basis of the property sold.

Lines 10 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 that were not deducted as moving expenses;

(d) construction costs (when you build your own residence) made within 2 years before and 2 years after the sale of the old residence;

(e) if you buy rather than build your new residence, all capital expenditures made within 2 years before and 2 years after the sale of the old residence.