

Sale or Exchange of Principal Residence

OMB No. 1545-0072

1987
 Attachment
 Sequence No. **22**

▶ See instructions on back.

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

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

Do not include expenses that you deduct as moving expenses.

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 ▶

	Yes	No
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? (If "Yes," see instructions.)		
3 a Were you 55 or over on date of sale?		
b Was your spouse 55 or over on date of sale? If you answered "No" to 3a and 3b, do not complete 3c through 3f and Part II.		
c Did the person who answered "Yes" to 3a or 3b own and use the property sold as his or her principal residence for a total of at least 3 years (except for short absences) of the 5-year period before the sale?		
d If you answered "Yes" to 3c, do you elect to take the once in a lifetime exclusion of the gain on the sale?		
e At time of sale, was the residence owned by: <input type="checkbox"/> you, <input type="checkbox"/> your spouse, <input type="checkbox"/> both of you?		
f Social security number of spouse, at time of sale, if different from number on Form 1040 ▶ (Enter "None" if you were not married at time of sale.)		

Part I Computation of Gain

4 Selling price of residence (Do not include personal property items.)	4		
5 Expense of sale (Include sales commissions, advertising, legal, etc.)	5		
6 Subtract line 5 from line 4. This is the amount realized	6		
7 Basis of residence sold	7		
8 Gain on sale (subtract line 7 from line 6). If zero or less, enter zero and do not complete the rest of form. Enter the gain from this line on Schedule D, line 3 or 10,* unless you bought another principal residence or checked "Yes" to 3d. Then continue with this form	8		
If you haven't replaced your residence, do you plan to do so within the replacement period? <input type="checkbox"/> Yes <input type="checkbox"/> No (If "Yes" see instruction B.)			

Part II Age 55 or Over One-Time Exclusion

Complete this part only if you checked "yes" to 3(d) to elect the once in a lifetime exclusion; otherwise, skip to Part III.

9 Enter the smaller of line 8 or \$125,000 (\$62,500, if married filing separate return)	9		
10 Gain (subtract line 9 from line 8). If zero, do not complete rest of form. Enter the gain from this line on Schedule D, line 10,* unless you bought another principal residence. Then continue with this form	10		

Part III Gain To Be Postponed and Adjusted Basis of New Residence

Complete this part if you bought another principal residence.

11 Fixing-up expenses (see instructions for time limits)	11		
12 Adjusted sales price (subtract line 11 from line 6)	12		
13 Cost of new residence	13		
14 Gain taxable this year (subtract line 13 plus line 9 (if applicable) from line 12). If result is zero or less, enter zero. Do not enter more than line 8 or line 10 (if applicable). Enter the gain from this line on Schedule D, line 3 or 10*	14		
15 Gain to be postponed (Subtract line 14 from line 8. However, if Part II applies, subtract line 14 from line 10.)	15		
16 Adjusted basis of new residence (subtract line 15 from line 13)	16		

***Caution:** If you completed Form 6252 for the residence in 1a, do not enter your taxable gain from Form 2119 on Schedule D.

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. Who Must File.—Use Form 2119 to report the sale of your principal residence, whether or not you had a gain from the sale. Use this form to postpone gain and make the one-time election to exclude it from your income. A loss is not deductible. All filers must complete lines 1 through 8 except as explained in Instruction B.

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, 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.

B. 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. In this case complete lines 1, 2 and Part I only, but do not include the gain on Schedule D. If you replace your residence 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.

C. Excluding Gain From Income (Part II).—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.

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, 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 II 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. Postponing Gain on Sale of Principal Residence (Part III).—You may have to postpone gain 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., see Publication 523 for a longer replacement period.

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 bought more than one principal residence during the replacement period, only the last residence you bought qualifies as your new residence for postponing gain. During the replacement period, any sale after the first does not qualify for postponing gain, unless you sold the residence because of a job relocation and are allowed a moving expense deduction.

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

Line 2b—If you rent out any rooms, or use a portion of your residence for business, for which a deduction is allowed, do not include that portion on this form. Instead, include that part of the gain on Form 4797. You cannot postpone gain or take the exclusion on that portion.

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.

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

Line 5—Expense of Sale.—Enter your expense of sale such as 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.

Line 7—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 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 11—Fixing-Up Expenses.—These are decorating and repair expenses incurred only to help sell the old property. You must have incurred the expenses for work performed within 90 days before the contract to sell was signed and paid for them 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.

Line 13—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.