

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

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Dear \_\_\_\_\_ :

This letter responds to your request for information dated January 02, 2016. You ask about the reporting of gain on the sale of a house in which your wife had a 75% ownership interest and her sister had a 25% ownership interest. You ask whether your wife and her sister are taxable on the gross selling price of the house with no offset for selling expenses.

The Instructions for Form 1099-S, *Proceeds from Real Estate Transactions*, instruct the payer to report the amount of the gross proceeds from the sale or exchange of real estate in box 2. The amount of the gross proceeds in box 2 is the starting point for computing taxable gain on the sale of the real estate. To determine gain on the sale of the house, first subtract selling expenses, including commissions, from the selling price to determine the amount realized on the sale. Then subtract the adjusted basis of the property, including the amount of a mortgage, from the amount realized on the sale to determine the gain or loss on the sale. For more information, see Publication 523, *Selling Your Home*, especially the section under the heading “**Figuring Gain or Loss**,” which begins on p. 6 of the enclosed publication.

This letter calls attention to certain general principles of the law. It is intended for information only and does not constitute a ruling. See Rev. Proc. 2016-1, §2.04, 2016-1 I.R.B. 1 (Jan. 4, 2016).

If you have any additional questions, you may contact \_\_\_\_\_ of our office at \_\_\_\_\_.

Sincerely,

J. Peter Baumgarten  
Assistant to the Branch Chief, Branch 4  
Office of Associate Chief Counsel  
(Income Tax & Accounting)

Enclosures