



Topic no. 701, Sale of your home

The \$250,000/\$500,000 home sale tax exclusion - If you have a capital gain from the sale of your main home, you may qualify to exclude up to \$250,000 of that gain from your income, or up to \$500,000 of that gain if you file a joint return with your spouse. [Publication 523, Selling Your Home](#) provides rules and worksheets. [Topic no. 409](#) covers general capital gain and loss information.

Qualifying for the exclusion

In general, to qualify for this exclusion, you must meet both the ownership test and the use test. If you are filing jointly with your spouse, either you or your spouse must meet the ownership test while both you and your spouse must meet the use test individually.

If you or your spouse owned the home for at least 24 months (2 years) out of the last 5 years leading up to the date of the sale, you meet the ownership test. If you and your spouse owned the home and used it as a residence for at least 24 months (2 years) of the previous 5 years, you meet the use test. You can meet the ownership and use tests during different 2-year periods. However, you must meet both tests during the 5-year period ending on the date of the sale. Generally, you're not eligible for the exclusion if you excluded the gain from the sale of another home during the two-year period prior to the sale of your home. Refer to [Publication 523](#) for the complete eligibility requirements, limitations on the exclusion amount, and exceptions to the two-year rule.

Reporting the sale

If you receive an informational income-reporting document such as [Form 1099-S, Proceeds From Real Estate Transactions](#), you must report the sale of the home even if the gain from the sale is excludable. Additionally, you must report the sale of the home if you can't exclude all of your capital gain from income. Use [Schedule D \(Form 1040\), Capital Gains and Losses](#) and [Form 8949, Sales and Other Dispositions of Capital Assets](#) when required to report the home sale. Refer to [Publication 523](#) for the rules on reporting your sale on your income tax return.

Suspension of the five-year test period

If you or your spouse are on qualified official extended duty in the Uniformed Services, the Foreign Service or the intelligence community, you may elect to suspend the five-year test period for up to 10 years. You are on qualified official extended duty if for more than 90 days or for an indefinite period, you are:

- At a duty station that's at least 50 miles from your main home, or
- Residing under government orders in government housing.

Refer to [Publication 523](#) for more information about special rules to suspend the 5-year test.

Installment sales

If you sold your home under a contract that provides for all or part of the selling price to be paid in a later year, you made an installment sale. If you have an installment sale, report the sale under the installment method unless you elect out. Even if you use the installment method to defer some of the gain, the exclusion of gain on the sale of your home remains available. Refer to [Publication 537, Installment Sales, Form 6252, Installment Sale Income](#), and [Topic no. 705, Installment sales](#), for more information on installment sales.