

**Question:** I've heard that when I sell my house I might not have to pay taxes on the gain. Is this true?

**Answer:** Yup – if it's your primary residence and certain rules are met, you may not owe a dime.

**FYI -** A single homeowner can exclude up to \$250,000 of gain when they sell their primary residence, as long as you have owned and used the property as your principal residence for at least two of the last five years. For example, let's assume you bought your house in Saratoga in 2001 for \$200,000. You sell it in 2007 for \$450,000. As long as you lived in the home for two of the last five years, the entire \$250,000 gain is yours to keep. Its true profit, without any money owed to the IRS. If you were able to sell it for \$500,000, you'd owe taxes on only \$50,000 worth of gain.

If you're married (and filing your taxes jointly), this annual exclusion amount is actually increased to \$500,000. For example, let's assume you bought your house in Saratoga in 1991 for \$200,000. You sell it in 2007 for \$700,000. Again, as long as you lived in the home for two of the past five years, the entire \$500,000 gain is yours to keep.

Obviously, you can see that this is a complicated area with all sorts of caveats and requirements; Special rules apply if you sell or exchange a piece of property due to changes in your health, employment status, or if unforeseen circumstances apply. There are also special rules that apply to members of the military and other branches of government service.

**Bill's Bottom-line:** One real estate exclusion is permitted every two years. Your best bet – speak with a qualified CPA, accountant or enrolled agent about your situation.



Bill Losey, CFP®, CSA, America's Retirement Strategist™, has nearly 20 years experience in the financial planning industry and has been interviewed on the CBS Radio Network, CNNfn, and FOX's "Hannity & Colmes". Bill publishes *Retirement Intelligence*®, a free weekly award-winning newsletter that reaches over 5,000 subscribers worldwide, and is the author of *Retire in a Weekend! The Baby Boomer's Guide to Making Work Optional*. Bill can be reached by calling 1-866-786-2521 or online at [www.MyRetirementSuccess.com](http://www.MyRetirementSuccess.com) and [www.RetireinaWeekend.com](http://www.RetireinaWeekend.com).