home acquired in a like-kind exchange). This can occur if you used your property as your main home for a period before the exchange that meets the use test, but at the time of the exchange, you used your home for business or investment (e.g., rental) purposes. This can also occur if you used your main home partly for business or investment (e.g., rental) purposes and then exchanged the home. In these situations, you would first exclude the gain from the sale of your main home to the extent allowable, and then apply the nonrecognition of gain provisions of section 1031 for like-kind exchanges to defer any remaining gain. For more information, see Revenue Procedure 2005-14, 2005-7 I.R.B. 528, available at www.irs.gov/irb/2005-07_IRB/ar10.html.

Service, Intelligence, and Peace Corps Personnel

If you are a member of Uniformed Services, Foreign Service, or an employee of the intelligence community in the Unites States, you may choose to suspend the 5-year test period for ownership and use if you are on qualified official extended duty. This means you may be able to meet the 2-year residence test even if, because of your service, you did not actually live in your home for at least the 2 years during the 5-year period ending on the date of sale.

Example. John bought and moved into a home in 2006. He lived in it as his main home for 2½ years. For the next 6 years, he did not live in it because he was on qualified official extended duty with the Army. He then sold the home at a gain in 2014. To meet the use test, John chooses to suspend the 5-year test period for the 6 years he was on qualified official extended duty. This means he can disregard those 6 years. Therefore, John's 5-year test period consists of the 5 years before he went on qualified official extended duty. He meets the ownership and use tests because he owned and lived in the home for 2½ years during this test period.

Qualified extended duty. You are on qualified extended duty if:

- You are called or ordered to active duty for an indefinite period, or for a definite period of more than 90 days.
- You are serving at a duty station at least 50 miles from your main home, or you are living in Government quarters under Government orders.
- You are one of the following:
  1. A member of the armed forces (Army, Navy, Air Force, Marine Corps, Coast Guard),
  2. A member of the commissioned corps of National Oceanic and Atmospheric Administration (NOAA) or the Public Health Service,
  3. A Foreign Service chief of mission, ambassador-at-large, or officer,
  4. A member of the Senior Foreign Service or the Foreign Service personnel,
  5. An employee, enrolled volunteer, or enrolled volunteer leader of the Peace Corps serving outside the United States.

Intelligence personnel. The extension also applies to the intelligence community. You are an employee of the intelligence community if you are an employee of the following:

- The Office of the Director of National Intelligence,
- The CIA or NSA,
- The Defense Intelligence Agency,
- The National Geospatial-Intelligence Agency,
- The National Reconnaissance Office and any other office within the Department of Defense for the collection of specialized national intelligence through reconnaissance,
- Any intelligence element of the Army, Navy, Air Force, Marine Corps, FBI, the Department of Treasury, the Department of Energy, or the Coast Guard,
- The Bureau of Intelligence and Research of the Department of State, or
- Any element of the Department of Homeland Security that analyzes foreign intelligence information.

Period of suspension. The period of suspension cannot last more than 10 years. Together, the 10-year suspension period and the 5-year test period can be as long as, but no more than, 15 years. You cannot suspend the 5-year period for more than one property at a time. You can revoke your choice to suspend the 5-year period at any time.

Example. Mary bought a home on April 1, 1999. She used it as her main home until August 27, 2002. On August 28, 2002, she went on qualified official extended duty with the Navy. She did not live in the house again before selling it on July 31, 2015. Mary chooses to use the entire 10-year suspension period. Therefore, the suspension period would extend back from July 31, 2015, to August 1, 2005, and the 5-year test period would extend back to August 1, 2000. During that period, Mary owned the house all 5 years and lived in it as her main home from August 1, 2000, until August 28, 2002, a period of more than 24 months. She meets the ownership and use tests because she owned and lived in the home for at least 2 years during this test period.

Figuring Gain or Loss

To figure the gain or loss on the sale of your main home, you must know the selling price, the amount realized, and the adjusted basis. Subtract the adjusted basis from the amount realized to get your gain or loss.

	Selling price
−	Selling expenses
	Amount realized
−	Adjusted basis
	Gain or loss

Gain. Gain is the excess of the amount realized over the adjusted basis of the property.

Loss. Loss is the excess of the adjusted basis over the amount realized for the property.

See *How to Figure Your Gain or Loss Worksheet*, later, for steps you should follow to figure your gain or loss.

Business or Rental Use of Home

Determine whether the space used for business during the 5 years before the sale is considered to be within your home or not. If the business or rental space was physically part of the living area of your home, such as a spare room used as a bed-and-breakfast bedroom or attic space used as a home office, your business usage does not affect your gain/loss calculations. Complete *How to Figure Your Gain or Loss Worksheet*, later.

If the business or rental space was not within your living space, such as a first-floor store with residence, an apartment with its own entrance (and kitchen and bath), or a working farm with a farmhouse on the property, continue to *Determine whether the business or rental space still counts as a business space*, next.

Determine whether the business or rental space still counts as a business space. A space formerly used for business is considered residence space if ALL of the following are true:

- You were not using the space for business or rental at the time you sold the property,
- You did not earn any business or rental income from the space in the year you sold your home, and

How to Figure Your Gain or Loss Worksheet

The process is the same for single family homes, condominiums, mobile homes, and all other types of homes. If you have questions as you work through these step-by-step instructions, or want examples of costs that can and cannot be included, see *Basis Adjustments—Details and Exceptions*, later.

- **If married and filing jointly,** figure gain or loss for both of you together.
- **If not filing jointly, or if there are two owners who are not married,** you will need a gain or loss figure for each individual. If ownership is joint, or is shared 50/50, the figure for each individual is half of the final gain or loss result from this worksheet. If ownership is divided according to different percentages, each owner's figure is the gain or loss result from this worksheet multiplied by their ownership percentage.
- **If you used any portion of the property for business or rented it out,** go to *Business or Rental Use of Home*, earlier.

1. Determine the sale price. This is everything you received in exchange for your home.

a.	All money (currency, check, wire transfer)	**a.** ______
b.	The value of any notes, mortgages, or other debts that the buyer agreed to assume (take over) as part of the sale	**b.** ______
c.	Any real estate taxes the buyer paid on your behalf	**c.** ______
d.	The fair market value of any other property or services you received	**d.** ______
e.	Any amount you received for granting an option to buy your home, if the option was exercised	**e.** ______
f.	Add lines 1a through 1e. This is your **sale price**	**f.** ______

- **If you received payment for personal property,** do NOT include it in the sale price (examples: furniture, draperies, rugs, washer and dryer, and lawn equipment),
- **If you received payment or reimbursement from your employer** because of a job transfer, do not include the payment as part of the selling price. Your employer will include it as wages in box 1 of your W-2.
- **If you received Form 1099-S,** the gross proceeds for the sale price should appear in box 2. If box 4 is checked, the sale price included non-cash payments, and you need to determine the value of these and add them to the figure in box 2.
- **If you did not receive Form 1099-S,** refer to your real estate transaction documents for the total amount you received for your home.

How to Figure Your Gain or Loss Worksheet—*Continued pg 2*

2. Determine your selling expenses. These are the costs directly associated with selling your home.		
a. Any sales commissions (for example, a real estate agent's sales commission)	**a.**	
b. Any fees for a service that helped you sell your home without a broker	**b.**	
c. Any advertising fees	**c.**	
d. Any legal fees	**d.**	
e. Any mortgage points or other loan charges you paid that would normally have been the buyer's responsibility	**e.**	
f. Add lines 2a through 2f. These are your **selling expenses**	**f.**	
• **If you received payment or reimbursement from your employer,** subtract from the selling expenses any portion of these expenses your employer paid or reimbursed to you.		
3. Figure your "amount realized" (sale price minus selling expenses).		
a. Your **sale price** (line 1f)	**a.**	
b. Subtract your **selling expenses** (line 2f)	**b.**	
c. This is your **amount realized**	**c.**	
4. Determine your "total basis" (the total amount you invested in your home). This includes what you paid for your home as well as other money you may have put into it that added to its value.		
a. The amount you paid for your home (or if you built your home, the cost of the land). Include any down payment and any amount you borrowed to pay for the home, such as a first or second mortgage, or notes you gave the seller in payment for the home. For cooperative apartments, include the value of the corporation stock you purchased. If you acquired your home through inheritance, gift, bargain sale, trade, or anything except a fair market purchase, see *Basis Adjustments—Details and Exceptions*, later	**a.**	
b. Any settlement fees or closing costs you paid when you bought your home, except for financing-related costs (such as seller-paid points). A fee paid for buying the home is any fee you would have had to pay even if you paid cash for the home. See *Basis Adjustments—Details and Exceptions* and *Fees and Closing Costs*	**b.**	
c. Any real estate taxes or other costs you paid on behalf of the seller you bought your home from (and for which the seller never paid you back)	**c.**	
d. Any amounts you spent on construction, renovation, or other improvements that are still part of your home when you sell it, but not costs or repairs and maintenance. See *Basis Adjustments—Details and Exceptions*, later	**d.**	
e. Any amounts you spent to repair damage to your home or the land it sits on	**e.**	
f. Any special assessments for local improvements (such as special tax or condominium association assessments that are not merely for repairs or maintenance)	**f.**	
g. Add lines 4a through 4f. This is your **total basis**	**g.**	

How to Figure Your Gain or Loss Worksheet—*Continued pg 3*

5. Determine your "basis adjustments" (any payments, credits, or benefits you may need to deduct from your basis).

a. Any depreciation you took for using your home as a home office .... **a.** ________

b. Any depreciation you took — or didn't take but could have taken — for any business or investment (rental) use of your home other than home office use .... **b.** ________

c. Any casualty losses (such as flood or fire damage) you claimed as a deduction on a federal tax return .... **c.** ________

d. Any insurance payments you received or expect to receive for casualty losses ...... **d.** ________

e. Any payments you received for granting an easement, conservation restriction, or right-of-way .... **e.** ________

f. Any energy credits or subsidies that effectively paid you back for improvements you included in your total basis (generally available only from 1977–1987). See *Basis Adjustments—Details and Exceptions*, later .... **f.** ________

g. Any adoption credits you claimed, or any nontaxable payments from an employer-sponsored adoption assistance program, you used for improvements you included in your total basis .... **g.** ________

h. Any District of Columbia first-time homebuyer credit you claimed .... **h.** ________

i. Any real estate taxes the seller paid on your behalf (and for which you never paid the seller back). If you reimburse the seller, it does not affect basis .... **i.** ________

j. Any mortgage points the seller paid for you when you bought your home, but only if one of the following is true .... **j.** ________

- You bought your home sometime between January 1, 1991 and April 5, 1994 (including those days) AND you deducted the points as home mortgage interest in the year they were paid, or
- You bought your home after April 3, 1994 (whether you deducted the points or not).

k. Any canceled or forgiven mortgage debt amount that was excluded due to a bankruptcy or insolvency and you did not have to declare as income. For more information, see Pub. 4681 .... **k.** ________

l. Any sales tax you paid on your home (such as for a mobile home or houseboat) and then claimed as a deduction on a federal tax return .... **l.** ________

m. The value of any temporary housing the builder of your home provided for you ...... **m.** ________

- *Use this equation:*
  Contract price × Value of temporary housing ÷ (Value of temporary housing + Value of new home)

n. Any gain you postponed from a home you sold before May 7, 1997 .... **n.** ________

o. Add lines 5a through 5n. This is your **basis adjustment** .... **o.** ________

6. Figure your "adjusted basis" (total basis minus basis adjustments).

a. Your **total basis** (line 4g) .... **a.** ________

b. Subtract your **basis adjustments** (line 5o) .... **b.** ________

c. This is your **adjusted basis** .... **c.** ________

- If your **adjusted basis is less than zero** and you went through a mortgage workout or other process resulting in forgiveness or cancellation of mortgage debt ("discharge of qualified principal residence indebtedness"), do not count any portion of your canceled debt that is bringing your basis below zero.

7. Figure your gain or loss (amount realized minus adjusted basis).

a. Your **amount realized** (line 3c) .... **a.** ________

b. Subtract your **adjusted basis** (line 6c) .... **b.** ________

c. This is your **gain** or **loss** .... **c.** ________

- If the **number is negative** (adjusted basis is greater than amount realized), you sold your home at a loss. You cannot deduct this loss, but you do not need to pay any tax on the money you received from selling your home. Skip to *Reporting Your Home Sale*, later.
- If the **number is positive**, you sold your home at a gain. Skip to *How Much Is Taxable*, later.