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capital gains in real estate

When you sell a stock, you owe taxes on your gain—the difference between what you paid for the stock and what you sold it for. The same is true with selling a home (or a second home), but there are some special considerations.

There are some considerations in calculation of Real Estate Capital Gains:

- Capital gains are not based on what you paid for the house, but on its adjusted cost:
- This is the formula for calculation:
- Purchase Price (the sale price) $_____
- Add Adjustments

Costs of Purchase
- Transfer fees
- Attorney fees
- Inspections

Costs of Sale
- Inspections
- Attorney fees
- Real estate commission
- Cost to fix up before sale

Costs of Improvements
- Additions (rooms, deck) not repairs, replacements

Total Adjusted Cost $_____
(Subtract Total Adjusted Cost from the Sale Price)

Capital Gain (Sale Price less Adjusted Costs) $_____

EXEMPTION

Since 1997, Capital Gains of $250,000 ($500,000 for married couple) on the sale of a house is tax exempt if:

- The house was your principal residence for 2 of 5 years
- During the two preceding years, you have not sold or exchanged another house.
- As of 2003, you may qualify for this tax exemption if you meet some "unforeseen circumstances," such as loss of a job, divorce, or a family medical emergency