1995 Department of the Treasury
Internal Revenue Service

Instructions for Form 2119

Sale of Your Home

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping,** 46 min.; **Learning about the law or the form,** 19 min.; **Preparing the form,** 1 hr., 31 min.; and **Copying, assembling, and sending the form to the IRS,** 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write or call the IRS. See the Instructions for Form 1040.

General Instructions

Pending Tax Law Changes

At the time these instructions were printed, Congress was considering legislation that would **(1)** treat a loss on the sale or exchange of a main home as a deductible capital loss, and **(2)** allow certain married individuals age 55 or older to elect the one-time exclusion of gain even though their spouse made an election prior to the marriage. It would also change the rules for multiple sales during the replacement period and provide a safe harbor to determine the main home in certain sales incident to divorce or separation.

For information on these changes, get **Pub. 553,** Highlights of 1995 Tax Changes. See page 34 of the Form 1040 instructions.

Purpose of Form

Use Form 2119 to report the sale of your main home. If you replaced your main home within the replacement period, also use Form 2119 to postpone paying tax on all or part of the gain. Form 2119 is also used by people who were age 55 or older on the date of sale to elect a one-time exclusion of the gain on the sale.

Caution: *If the home you sold was financed (in whole or in part) from a qualified mortgage credit certificate or the proceeds of a tax-exempt qualified mortgage bond, you may owe additional tax. Get* ***Form 8828,*** *Recapture of Federal Mortgage Subsidy, for details.*

Who Must File

You must file Form 2119 with your return for the year in which you sell your main home. You must do this even if the sale resulted in a loss, you are electing the one-time exclusion for people age 55 or older, or you are postponing all or part of the gain. There may be other filing requirements as well. See **When and Where To File** on this page.

Loss on the Sale of Your Home.—You cannot deduct a loss on the sale of your home. However, you must file Form 2119 to report the sale. Complete lines 1 through 8 of Form 2119 and attach it to your return for the year of sale. If you replace your home, the loss has no effect on the basis of your new home.

Note: *See* ***Pending Tax Law Changes*** *on this page.*

Additional Information

You may find **Pub. 523,** Selling Your Home, helpful. It has examples of how to complete Form 2119.

Definitions

Basis.—If you bought your home, your basis is the purchase price of the home minus certain seller-paid points (see page 4). If you acquired your home other than by purchase, such as by gift, inheritance, or trade, or you built your home, see Pub. 523. For a complete discussion of basis, get **Pub. 551,** Basis of Assets.

Adjusted Basis.—This is your basis in the property increased or decreased by certain amounts. For details on how to figure the adjusted basis of the home you sold, see the instructions for line 7 on page 3.

Date of Sale.—See the instructions for line 1 on page 2.

Main Home.—Your main home is the one you live in most of the time. It can be a house, houseboat, housetrailer, cooperative apartment, condominium, etc.

Replacement Period.—This is the time period during which you must replace your old main home to postpone any of the gain from its sale. It starts 2 years before and ends 2 years after the date of sale. But this period may be longer if you are on active duty in the U.S. Armed Forces for more than 90 days or if you live and work outside the United States. For details, see Pub. 523.

Special Situations

More Than One Owner.—If you owned the old home jointly with a person other than your spouse, you may postpone gain or elect the one-time exclusion only on your ownership interest in the home. For more details, see Pub. 523.

Surviving Spouse.—If your spouse died before the old home was sold and you owned the home jointly with your deceased spouse, you must make a special computation to figure the adjusted basis of the home you sold. For details, see **Inheritance** under **Basis** in Pub. 523.

Divorced or Separated Taxpayers.—If your home was sold in connection with a divorce or separation, see Pub. 523. Also, get **Pub. 504,** Divorced or Separated Individuals.

Condemned Property.—If your old home was condemned for public use, you can choose either to postpone gain under the rules for a condemnation or to treat the transaction as a sale of your home. See Pub. 523. Also, get **Pub. 544,** Sales and Other Dispositions of Assets.

Partial Rental or Business Use of Home.—If part of your old home was rented out or used for business, you may have to report that part of the sale on **Form 4797,** Sales of Business Property. See the instructions for line 3 on page 3.

Installment Sale.—If you provided financing for the buyer of your home, you may be able to choose to report the gain on the sale using the installment method. For details, get **Pub. 537,** Installment Sales. If you qualify and choose to do so, complete Form 2119 first and then complete **Form 6252,** Installment Sale Income. Also, see the instructions for line 15 on page 4. **Do not** report the gain from Form 2119 on Schedule D (Form 1040).

Note: *Be sure to report on Form 1040, line 8a, any interest you received on the note or other financial instrument. If the buyer used the property as a personal residence, be sure you report that buyer's name, social security number, and address on Schedule B (Form 1040).*

Casualty Damage.—If your home was damaged by fire, storm, or other casualty, get **Form 4684,** Casualties and Thefts, and its separate instructions. Also, get **Pub. 547,** Nonbusiness Disasters, Casualties, and Thefts.

When and Where To File

File Form 2119 with your tax return for the year of sale. If the amount on line 8 of Form 2119 is zero or less, you have no additional filing requirements, even if you replace your home.

Additional Filing Requirements.—If you have not replaced your home but plan to do so within the replacement period (defined on this page), you will also have to complete a second Form 2119.

- You must file the second Form 2119 by itself if **all three** of the following apply:

1. You planned to replace your home within the replacement period.

2. You later replaced your home within the replacement period.

3. Your taxable gain (line 21 on the second Form 2119) is zero.

If your taxable gain is zero, no tax is due. But you must still file the second form to show that you replaced your home within the replacement period. Enter your name and address, and sign and date the second form. If a joint return was filed for the year of sale, both you and your spouse must sign the second Form 2119. Send the form to the Internal Revenue Service Center for the place where you now live.

- You must file **Form 1040X,** Amended U.S. Individual Income Tax Return, for the year of sale with the second Form 2119 attached if **any** of the following apply:

1. You planned to replace your home when you filed your tax return, you later replaced your home within the replacement period, **and** you had a taxable gain on line 21 of the second Form 2119.

2. You planned to replace your home when you filed your tax return but **did not** do so within the replacement period.

3. You **did not** plan to replace your home when you filed your tax return and included the gain in income, but later you did replace your home within the replacement period.

Report the correct amount of gain from Form 2119 on Schedule D (Form 1040) and attach both forms to Form 1040X. Interest will be charged on any additional tax due. If you are due a refund, any interest will be included with the refund.

Recordkeeping

Keep a copy of Form 2119 (and any documents used to complete it) with your tax return for the year of sale until the statute of limitations runs out for that return. Usually, this is 3 years from the date the return was due or filed, or 2 years from the date the tax was paid, whichever is later. But if you postpone tax on any gain, keep a copy of the Form 2119 (and any documents used to complete it) with your records for the basis of your new home.

One-Time Exclusion for People Age 55 or Older

Generally, you can elect to exclude from your income up to $125,000 ($62,500 if married filing a separate return) of the gain from one sale of any main home you choose. The gain excluded is never taxed. But for sales after July 26, 1978, the exclusion is available only once. You can make the election if **all three** of the following apply:

1. You or your spouse were age 55 or older on the date of sale.

2. Neither you nor your spouse have ever excluded gain on the sale of a home after July 26, 1978.

3. The person who was age 55 or older owned and lived in the home for periods adding up to at least 3 years within the 5-year period ending on the date of sale. But see **Exception for Temporary Absences** and **Exception for Individuals With a Disability** on this page.

To make the election for this sale, complete Part II. If the gain is more than the amount excluded, also complete Part III to figure whether the excess gain is included in your income or postponed. If the gain is less than $125,000 ($62,500 if married filing a separate return), the difference **cannot** be excluded on a future sale of another main home. Generally, you can make or revoke the election within 3 years from the due date of your return (including extensions) for the year of sale. To do so, file Form 1040X with Form 2119 attached. For more details, see Pub. 523.

Exception for Temporary Absences.— You can count short temporary absences such as for vacations or other seasonal absences as time lived in the home even if you rented the home during the absences.

Exception for Individuals With a Disability.—If you meet this exception, you are treated as having lived in the home sold during any time that you lived in a facility such as a nursing home. The facility must be licensed by a state or political subdivision to care for people with your condition. You meet this exception if, during the 5-year period ending on the date of sale—

- You became physically or mentally unable to care for yourself, and
- You owned and lived in your home as your main home for a total of at least 1 year.

Previous Home Destroyed or Condemned.—You may be able to count time you owned and lived in a previous home that was destroyed or condemned. For details, see Pub. 523.

Married Persons.—If you and your spouse owned the property jointly and file a joint return, only one of you must meet the age, ownership, and use tests to be able to make the election. If you did not own the property jointly, the spouse who owned the property must meet these tests.

If you were married at the time of sale, both you and your spouse must agree to exclude the gain. If you do not file a joint return with that spouse, your spouse must agree to exclude the gain by signing a statement saying, "I agree to the Part II election." The statement and signature may be made on a separate sheet or in the bottom margin of Form 2119.

If you sell a home while you are married and one spouse already made the election prior to the marriage, neither of you can exclude gain on the sale.

The election to exclude gain applies to both you and your spouse. If you elect to exclude gain during marriage and later divorce, neither of you can make the election again.

Postponing Gain

If you buy or build another main home and move into it within the replacement period (defined on page 1), you must postpone all or part of the gain in most cases. The amount of gain postponed is shown on line 22.

If one spouse dies after the old home is sold and before the new home is bought, the gain from the sale of the old home is postponed if **(1)** the above requirements are met, **(2)** the spouses were married on the date of death, and **(3)** the surviving spouse uses the new home as his or her main home. This rule applies whether the title of the old home is in one spouse's name or is held jointly. For more details, see **Deceased spouse** in Pub. 523.

If you bought more than one main home during the replacement period, only the last one you bought qualifies as your new main home for postponing gain. If you sold more than one main home during the replacement period, any sale after the first one does not qualify for postponing gain. But these rules do not apply if you sold your home because of a job change that qualifies for a moving expense deduction. If this is the case, file a Form 2119 for each sale, for the year of the sale, and attach an explanation for each sale (except the first) to Form 2119. For details on moving expenses, get **Pub. 521,** Moving Expenses.

Dividing the Gain Between You and Your Spouse.—If you are married and you or your spouse owned the old home separately but own the new home jointly, you and your spouse may elect to divide the gain and the adjusted basis. If you owned the old home jointly but you now own new homes separately, you may elect to divide the gain to be postponed. In either situation, you both must:

1. Use the old and new homes as your main homes, and

2. Sign a statement that says, "We agree to reduce the basis of the new home(s) by the gain from selling the old home." This statement can be made in the bottom margin of Form 2119 or on an attached sheet.

If you both do not meet these two requirements, you must report the gain in the regular way without dividing the gain. For examples of how to divide the gain, see **Dividing gain between you and spouse** under **New Home** in Pub. 523.

Which Parts To Complete

Part I.—All filers must complete Part I.

Part II.—Complete this part only if you qualify for the **One-Time Exclusion for People Age 55 or Older** and you want to make the election for this sale.

Part III.—Complete line 15 even if you did not take the exclusion in Part II. Complete lines 16 through 23 only if line 15 is more than zero and you answered "Yes" on line 2.

Specific Instructions

Line 1

Enter the date of sale. If you received a **Form 1099-S,** Proceeds From Real Estate Transactions, the date should be shown in box 1. If you didn't receive a Form 1099-S, the date of sale is the earlier of **(a)** the date the title transferred, or **(b)** the date the economic burdens and benefits of ownership shifted to the buyer.

Line 3

Old Home.—If part of your old main home was rented out or used for business and in the year of sale you **were not** entitled to deduct expenses for the part that was rented or used for business, report the entire sale on Form 2119.

If you **were** entitled to deduct expenses in the year of sale for the part that was rented or used for business, treat the sale as two separate sales. Report on Form 4797 the part of the sale that applies to the rental or business use. Report on Form 2119 only the part of the sale that represents your main home. You must allocate between Forms 2119 and 4797 the sales price, expenses of sale, and the adjusted basis of the property sold. Attach a statement showing the total selling price of the property and the method used to allocate the amounts between the two forms.

You cannot postpone the part of the gain that is reported on Form 4797. But you may be able to take the one-time exclusion for people age 55 or older on that part of the gain. You can take the exclusion if you otherwise qualify and the rental or business use did not exceed 2 years of the 5-year period ending on the date of sale. To do so, allocate any allowable exclusion between Forms 2119 and 4797. Attach a statement showing the total exclusion and the method used to allocate it between the two forms. Enter on Form 2119, line 14, only the part of the total exclusion that applies to your main home. On the dotted line next to line 14, write "Allocated." For details on how to report the part of the exclusion that applies to the rental or business use, see **Special Rules** in the Form 4797 instructions.

For more details on a home used partly for business or rental, see Pub. 523.

Note: *Only the part of the fixing-up expenses that applies to your main home may be included on line 16. These expenses are not allowed on Form 4797.*

New Home.—If part of your new main home is rented out or used for business, enter on line 19b only the part of the total cost of the property that is allocable to your new main home. Attach a statement showing the total cost of the property and the allocation between the part that is your new main home and the part that is rented out or used for business. For an example, see Pub. 523.

Line 4

Enter the selling price of your old home. Generally, this includes the amount of money you received, plus all notes, mortgages, or other debts that are part of the sale. If you received a Form 1099-S, the total of these items should be shown in box 2. The selling price also includes the fair market value of any other property or services you received as part of the sale. If you received any other property or services as part of the sale, the value of these items is not shown on Form 1099-S. However, box 4 of that form should be checked.

Do not include amounts you received for personal property sold with your home. Personal property is property that is not a permanent part of the home. Examples are furniture, draperies, and lawn equipment.

Line 5

Enter the total expenses you paid to sell your old home. These expenses include commissions, advertising, attorney and legal fees, appraisal fees, title insurance, transfer and stamp taxes, and recording fees. Loan charges, such as points charged to the seller, are also selling expenses. **Do not** include fixing-up expenses on this line. Instead, see the instructions for line 16 on page 4.

Line 7

Use the worksheet below to figure the adjusted basis of the home you sold. But if **any** of the following situations apply, see **Table 1** in Pub. 523 before using the worksheet.

- You are a surviving spouse and you owned your old home jointly with your deceased spouse.
- You built your old home and didn't file a Form 2119 to postpone gain on the sale of a previous home.
- You acquired your old home other than by purchase, such as by gift, inheritance, or trade.
- Your old home was damaged as a result of a casualty.

Adjusted Basis of Home Sold Worksheet—Line 7 (keep for your records)

Caution: *If any of the situations listed in the instructions for line 7 apply to you, see **Table 1** in Pub. 523 before you use this worksheet.*

1.	Enter the purchase price of your old home. But if you filed Form 2119 when you originally acquired your old home to postpone gain on the sale of a previous home, enter the adjusted basis of the new home from that Form 2119		**1.**
2.	Seller-paid points, for home bought after 1990 (see page 4). **Do not** include any seller-paid points you previously subtracted to arrive at the amount entered on line 1 above		**2.**
3.	Subtract line 2 from line 1		**3.**
4.	Settlement fees or closing costs (see page 4). **Do not** include amounts previously deducted as moving expenses. If line 1 includes the adjusted basis of the new home from Form 2119, skip lines 4a–5 and go to line 6.		
a.	Abstract and recording fees	**4a.**	
b.	Legal fees (including title search and preparing documents)	**4b.**	
c.	Surveys	**4c.**	
d.	Title insurance	**4d.**	
e.	Transfer or stamp taxes	**4e.**	
f.	Amounts the seller owed that you agreed to pay, such as back taxes or interest, recording or mortgage fees, and sales commissions	**4f.**	
g.	Other	**4g.**	
5.	Add lines 4a through 4g		**5.**
6.	Cost of capital improvements from the worksheet on page 4. **Do not** include any capital improvements included on line 1 above		**6.**
7.	Special tax assessments paid on your old home for local improvements such as streets and sidewalks		**7.**
8.	Other increases to basis		**8.**
9.	Add lines 3, 5, 6, 7, and 8		**9.**
10.	Depreciation, related to the business use or rental of your old home, claimed (or allowable) on prior year tax returns	**10.**	
11.	Residential energy credit (generally allowed from 1977 through 1987) claimed for any capital improvements included on line 6 and, if applicable, line 1 above	**11.**	
12.	Payments received for any easement or right-of-way granted	**12.**	
13.	Other decreases to basis	**13.**	
14.	Add lines 10 through 13		**14.**
15.	**Adjusted basis of home sold.** Subtract line 14 from line 9. Enter the result here and on Form 2119, line 7		**15.**

Seller-Paid Points.—You must subtract any points the seller paid from the purchase price of your old and new main home if **(1)** you bought the home after April 3, 1994, **or (2)** you bought the home after 1990 but before April 4, 1994, and you deducted the seller-paid points.

For details on points, get **Pub. 936,** Home Mortgage Interest Deduction.

Settlement Fees or Closing Costs.— Certain expenses you incurred to buy your home increase your basis. These expenses should be shown on your settlement statement. For more details, see Pub. 523.

Line 15

If you report the gain from the sale of your home on Form 6252 using the installment method, first complete the lines on Form 2119 that apply to you. If you completed line 14 or line 22 of Form 2119, enter the total of those lines on line 15 of Form 6252. Otherwise, enter zero on line 15 of Form 6252. Do not enter the gain from Form 2119 on Schedule D (Form 1040).

Line 16

Enter the fixing-up expenses you paid to help sell your old home. Fixing-up expenses are decorating and repair costs. For example, the cost of painting the home, planting flowers, and replacing broken windows are fixing-up expenses. However, to qualify, the expenses must be:

- For work done during the 90-day period ending on the day you signed the contract to sell your home (not the day you signed the listing contract with the real estate company), and
- Paid no later than 30 days after the date of sale.

Fixing-up expenses do not include amounts paid for capital improvements. Instead, add these amounts to the basis of the property sold. They also do not include selling expenses included on line 5 or amounts that are otherwise deductible.

Line 19b

The cost of your new home includes one or more of the following if paid or incurred within the replacement period (defined on page 1):

- Cash payments,
- The amount of any mortgage or other debt on the new home,
- Purchase expenses you paid that were not deducted as moving expenses,
- The cost of capital improvements, or
- Any other expenses that must be added to the basis of the new home.

If you bought your new home, you may have to reduce the cost of your home by any points the seller paid. See **Seller-Paid Points** above.

If you built your new home, include the cost of the land and all construction costs incurred within the replacement period. Do not include the cost of land purchased before or after the replacement period or land acquired other than by purchase. Also, do not include the value of your own labor.

Note: *If line 21 of Form 2119 shows a taxable gain and you incur costs for capital improvements made after you file it but within the replacement period, you should refigure your taxable gain. If the refigured taxable gain is less than the gain you originally reported, file Form 1040X to correct your 1995 tax return.*

Line 23

Subtract line 22 from 19b. This is your adjusted basis in your new home. But if you built your new home and the land is not included in the amount entered on line 19b, your adjusted basis in your new home is the amount on line 23 plus the adjusted basis of the land.

Capital Improvements Worksheet (keep for your records)

These are improvements made to your home that add to its value, prolong its useful life, or adapt it to new uses. Examples are listed below.

Caution: *Do not include improvements that are no longer part of your main home. For example, if you put wall-to-wall carpeting in your home and later replaced it with new wall-to-wall carpeting, do not include the cost of the first carpeting as a capital improvement.*

(a) Type of Improvement	(b) Year	(c) Amount	(a) Type of Improvement	(b) Year	(c) Amount
Additions			**Heating & Air Conditioning**		
Bedroom			Heating system		
Bathroom			Central air conditioning		
Deck			Furnace		
Garage			Duct work		
Porch			Central humidifier		
Patio			Filtration system		
Storage shed			Other		
Fireplace					
Other			**Electrical**		
			Light fixtures		
Lawn & Grounds			Wiring upgrades		
Landscaping			Other		
Driveway					
Walkway			**Plumbing**		
Fence			Water heater		
Retaining wall			Soft water system		
Sprinkler system			Filtration system		
Swimming pool			Other		
Exterior lighting					
Other			**Insulation**		
			Attic		
Communications			Walls		
Satellite dish			Floors		
Intercom			Pipes and duct work		
Security system			Other		
Other					
			Interior Improvements		
Miscellaneous			Built-in appliances		
Storm windows and doors			Kitchen modernization		
Roof			Bathroom modernization		
Central vacuum			Flooring		
Other			Wall-to-wall carpeting		
			Other		

Total capital improvements. Add the amounts in column **(c).** Enter the total here and on line 6 of the **Adjusted Basis of Home Sold Worksheet** on page 3 . . . . $ ________