1992 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,** 13 min.; **Preparing the form,** 44 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 more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget,** Paperwork Reduction Project (1545-0072), Washington, DC 20503. **DO NOT** send this form to either of these offices. Instead, see **When and Where To File** on this page.

General Instructions

Purpose of Form

Use Form 2119 to report the sale of your main home. If you replaced your main home, use Form 2119 to postpone 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.*

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.

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

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.

Additional Information

You may want to get **Pub. 523,** Selling Your Home, for more details.

Who Must File

You must file Form 1040 with Form 2119 for the year in which you sell your main home, 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 additional filing requirements as well. See **When and Where To File** on this page.

If part of your old home was rented out or used for business and in the year of sale you were entitled to deduct expenses related to the rental or business use, report that part of the sale on **Form 4797,** Sales of Business Property. See the instructions for line 4.

If you choose to report the gain from the sale of your home on the installment method, complete Form 2119 and **Form 6252,** Installment Sale Income.

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

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

If your home was condemned for public use, you can choose to postpone gain under the rules for a condemnation or you can choose to treat the transaction as a sale of your home. For details, see Pub. 523.

Which Parts To Complete

Parts I and II. You must complete Parts I and II.

Part III. Complete this part only if you qualify for the **One-Time Exclusion for People Age 55 or Older** (explained later), and you want to make the election for this sale.

Part IV. Complete line 17 even if you did not take the exclusion in Part III. Complete lines 18 through 25 only if line 17 is more than zero and you answered “Yes” on line 3.

When and Where To File

File Form 2119 with your tax return for the year of sale.

Additional Filing Requirements. If you have not replaced your home but plan to do so within the replacement period (defined on page 2), 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 23 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 place where you would file your next tax return based on the address 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 applies:

  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 23 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, interest will be included with the refund.

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. But for sales after July 26, 1978, the exclusion is available only once. To make the election for this sale, complete Part III and answer “Yes” on line 13. 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.

For purposes of **3** above, if you were physically or mentally unable to care for yourself, count as time living in your main home any time during the 5-year period 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 in your condition. For this rule to apply, you must have owned and used your residence as your main home for a total of at least 1 year during the 5-year period. See Pub. 523 for more details.

The gain excluded is never taxed. But if the gain is more than the amount excluded, also complete Part IV 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 make or revoke the election, file Form 1040X with Form 2119 attached. For more details, see Pub. 523.

Married Taxpayers. 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 III 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 does not apply separately to 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 below), you must postpone all or part of the gain in most cases. The amount of gain postponed is shown on line 24.

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 the above requirements are met, the spouses were married on the date of death, and the surviving spouse uses the new home as his or her main home. This rule applies regardless of whether the title of the old home is in one spouse's name or is held jointly. For more details, see 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 more details on moving expenses, get **Pub. 521,** Moving Expenses.

Replacement Period. Generally, the replacement period starts 2 years before and ends 2 years after the date you sell your old main home. The replacement 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 more details, see Pub. 523.

Applying Separate Gain to Basis of New Home. If you are married and the old home was owned by only one spouse but you and your spouse 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 allocation.

Line Instructions

You may not take double benefits. For example, you cannot use the moving expenses that are part of your moving expense deduction on **Form 3903,** Moving Expenses, to lower the amount of gain on the sale of your old home or to add to the cost of your new home.

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 title transferred or **(b)** the date the economic burdens and benefits of ownership shifted to the buyer.

Line 2. 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 16 or line 24 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).

Note: *If you received interest on a note (or other financial instrument), be sure to report that interest on Form 1040. For details, see the Form 1040 instructions for line 8a.*

Line 4. If any part of either home was rented out or used for business for which a deduction is allowed, answer "Yes" on line 4.

- If part of your old main home was rented out or used for business and in the year of sale you were entitled to deduct expenses for the part that was rented or used for business, treat the sale as two separate sales. Report the part of the sale that applies to the rental or business use on Form 4797. Report only the part of the sale that represents your main home on Form 2119. You must allocate the sales price, expenses of sale, and the basis of the property sold between Forms 2119 and 4797.

Note: *Only the part of the fixing-up expenses that applies to your main home may be included on line 18. These amounts are not allowed on Form 4797.*

Attach a statement showing the total selling price of the property and the method used to allocate the amounts between Forms 2119 and 4797. You cannot postpone or take the one-time exclusion on the part of the gain that is reported on Form 4797.

- If part of your new main home is rented out or used for business, enter on line 21b 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.

Line 5. Enter the gross sales 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, and the fair market value of any other property you received.

Line 6. 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 18.

Line 8. Include the cost of any capital improvements, and subtract any depreciation, casualty losses, or energy credits you reported on your tax return(s) that were related to your old home.

If you filed a Form 2119 when you originally bought your old home to postpone gain on a previous sale of a home, use the adjusted basis of the new home from the last line of that Form 2119 as the starting point to figure the basis of your old home. If you did not file a Form 2119 to postpone gain when you originally bought your old home, use the purchase price of the home including any expenses incurred to buy it as the starting point.

For more details or if you acquired your home other than by purchase, such as by gift, inheritance, trade, or you built your home, see Pub. 523 and **Pub. 551,** Basis of Assets.

Line 18. Enter the amount paid for work done on your old home to help sell it. 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 realtor), and
- Paid no later than 30 days after the date of sale.

Do not include amounts that are otherwise deductible or selling expenses included on line 6.

Also, do not include expenses for permanent improvements or replacements, which should be added to the basis of the property sold.

Line 21b. The cost of your new home includes one or more of the following:

- Cash payments,
- The amount of any mortgage or other debt on the new home,
- Commissions and other purchase expenses you paid that were not deducted as moving expenses, and
- Any capital expenses incurred within the replacement period (defined on this page).

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 23 of Form 2119 shows a taxable gain and you incur capital expenses after you file it but within the replacement period, you should refigure your taxable gain. If including the capital expenses in the cost of your new home reduces the gain you originally reported, file Form 1040X to correct your 1992 tax return.*

Line 25. Subtract line 24 from 21b. 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 21b, your adjusted basis in your new home is the amount on line 25 plus the adjusted basis of the land.