

You can exclude up to \$500,000 of the gain on the sale of your main home if **ALL** of the following are true.

- You are married and file a joint return for the year.
- **Either you or your spouse meets the ownership test.**
- **Both you and your spouse meet the use test.**
- During the 2-year period ending on the date of the sale, neither you nor your spouse excluded gain from the sale of another home.

If either spouse does not satisfy all these requirements, the maximum exclusion that can be claimed by the couple is the total of the maximum exclusions that each spouse would qualify for if not married and the amounts were figured separately. For this purpose, each spouse is treated as owning the property during the period that either spouse owned the property.

## ***Ownership and Use Tests***

To claim the exclusion, you must meet the ownership and use tests. This means that during the 5-year period ending on the date of the sale, you must have:

- **Owned the home for at least 2 years (the ownership test), and**
- **Lived in the home as your main home for at least 2 years (the use test).**

**Exception.** If you owned and lived in the property as your main home for less than 2 years, you can still claim an exclusion in some cases. The maximum amount you can exclude will be reduced. See *Reduced Maximum Exclusion*, later.

### **Example 1—home owned and occupied for 3 years.**

Amanda bought and moved into her main home in September 2002. She sold the home at a gain on September 15, 2005. During the 5-year period ending on the date of sale (September 16, 2000 – September 15, 2005), she owned and lived in the home for 3 years. She meets the ownership and use tests.

### **Example 2—met ownership test but not use test.**

Dan bought a home in 1999. After living in it for 6 months, he moved out. He never lived in the home again and sold it at a gain on June 28, 2005. He owned the home during the entire 5-year period ending on the date of sale (June 29, 2000 – June 28, 2005). However, he did not live in it for the required 2 years. He meets the ownership test but not the use test. He cannot exclude any part of his gain on the sale, unless he qualified for a reduced maximum exclusion (explained later).

## **IMPORTANT:**

### **Period of Ownership and Use**

The required 2 years of ownership and use during the 5-year period ending on the date of the sale do not have to be continuous.

**You meet the tests if you can show that you owned and lived in the property as your main home for either 24 full months or 730 days (365 × 2) during the 5-year period ending on the date of sale.**

**Example.**

Susan bought and moved into a house in July 2001. She lived there for 13 months and then moved in with a friend. She moved back into her own house in 2004 and lived there for 12 months until she sold it in July 2005. Susan meets the ownership and use tests because, during the 5-year period ending on the date of sale, she owned the house for 4 years and lived in it for a total of 25 months.

**More than one home.** If you have more than one home, you can exclude gain only from the sale of your main home. You must include in income gain from the sale of any other home. If you have two homes and live in both of them, your main home is ordinarily the one you live in most of the time.

**Example 1.**

You own and live in a house in the city. You also own a beach house, which you use during the summer months. The house in the city is your main home.

**Example 2.**

You own a house, but you live in another house that you rent. The rented house is your main home.

## **OTHER IMPORTANT INPUTS YOU MUST CONSIDER AND KEEP IN MIND**

***Factors used to determine main home.*** In addition to the amount of time you live in each home, other factors are relevant in determining which home is your main home. Those factors include the following.

1. **Your place of employment.**
2. **The location of your family members' main home.**
3. **Your mailing address for bills and correspondence.**
4. **The address listed on your:**
  - a. **Federal and state tax returns,**
  - b. **Driver's license,**
  - c. **Car registration, and**
  - d. **Voter registration card.**
5. **The location of the banks you use.**
6. **The location of recreational clubs and religious organizations you are a member of.**