

CAPITAL GAINS ON THE SALE OF YOUR PRIMARY RESIDENCE

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INTRODUCTION

One of the first considerations when selling your home is whether you will owe capital gains tax. While most homeowners will not pay a tax, there are certain rules that come with the exemption. Calculate below to determine if you will need to pay capital gains tax on the sale of your home.

SUMMARY OF INPUT

Purchase price of your home including fees (title, taxes, settlement, and all other closing costs)	\$42,000
Cost of improvements made to the home	\$30,000
How long have you owned this home?	More than 2 years
Has this been your primary residence for at least 2 of the last 5 years?	Yes
Sale price of your home minus fees (title, appraisal, real estate commission, and all other closing costs)	\$970,000

ANALYSIS

Because you have lived in your home for more than two years, the amount of profit subject to capital gains tax from the sale would be \$398,000 and would be taxed at a rate of 18.8% resulting in a federal tax of \$74,824.

SUMMARY OF PRIMARY RESIDENCE (OVER 2 YEARS) CAPITAL TRANSACTIONS	
Profit from sale of home	\$898,000
Exclusion Amount Available	\$500,000
Profit subject to tax	\$398,000
Federal Tax Bracket	18.80%
Taxes Due	7,482,400%

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