1997

Department of the Treasury
**Internal Revenue Service**

# Instructions for Form 2119

## Sale of Your Home

## General Instructions

### Changes To Note

**New rules for sales after May 6, 1997.** If you sold your main home after May 6, 1997, you may be able to exclude up to $250,000 of the gain from the sale regardless of your age. If you are married filing a joint return, you may be able to exclude up to $500,000. Any gain in excess of your exclusion is taxable. You may be able to elect to use the rules that apply to sales before May 7, 1997. For more details, see **Sales After May 6, 1997** on page 3.

**Basis adjustment for certain Form 8839 filers.** You must reduce your basis by any credit or exclusion you are claiming on **Form 8839,** Qualified Adoption Expenses, for the cost of capital improvements to your home.

### Purpose of Form

Use Form 2119 to report the sale of your main home. If you qualify, also use Form 2119 to:

- Claim the exclusion for sales after May 6, 1997, or
- Elect the one-time exclusion for people who were age 55 or older on the date of sale, or
- Postpone paying tax on all or part of the gain.

**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. See **Form 8828,** Recapture of Federal Mortgage Subsidy, for details.*

### Who Must File

You must file Form 2119 for the year in which you sell your main home. You must do this even if the sale resulted in a loss or you can exclude or postpone all or part of the gain. You must also file Form 1040 if your gross income is at least equal to a certain amount. For details, see **Chart A** in the instructions for Form 1040. If you must file Form 1040, attach Form 2119 to your return. 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 for the year of sale. If you replace your home, the loss has no effect on the basis of your new home.

### 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, see **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 4.

**Date of sale.** See the instructions for line 1 on page 3.

**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 exclude or postpone gain 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 **Home received as 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, see **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, see **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, see **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, see **Form 4684,** Casualties and Thefts, and its separate instructions. Also, see **Pub. 547,** Casualties, Disasters, and Thefts (Business and Nonbusiness).

### When and Where To File

File Form 2119 for the year of sale.

**Note:** *The additional filing requirements explained next do not apply to sales after May 6, 1997, unless you qualify for and elect to use the rules that apply to sales before May 7, 1997. They also do not apply if the amount on line 8 of Form 2119 is zero or less, even if you replace your home.*

**Additional filing requirements.** If you are using the rules that apply to sales before May 7, 1997, and 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:

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

*(continued)*

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

ÿ **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:

ÿ **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.

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

ÿ **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. (See Pub. 523 for more details.) 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.

## Sales Before May 7, 1997

If you sold your main home before May 7, 1997, you may be able to:

- Elect to take the one-time exclusion explained next for people age 55 or older, or
- Postpone all or part of the gain (see **Postponing Gain** on this page).

### 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:

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

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

ÿ **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 on page 1 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 and you meet the time and distance requirements explained in **Pub. 521,** Moving Expenses. 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.

**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:

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

ÿ **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 on page 1 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 **Home owned separately by one spouse** under **Certain Sales by Married Persons** in Pub. 523.

## Sales After May 6, 1997

If you sold your main home after May 6, 1997, you may be able to:

- Exclude all or part of the gain from the sale (see **Exclusion for Sales After May 6, 1997** next), or
- Elect to take the one-time exclusion for people age 55 or older or to postpone paying tax on all or part of the gain (see **Election To Use Rules That Apply To Sales Before May 7, 1997** on this page), or
- Elect to pay tax on all the gain. To do so, complete all the lines in Part I that apply to you other than line 2. Enter the gain from line 8 on Schedule D (Form 1040).

### Exclusion for Sales After May 6, 1997

You can exclude up to $250,000 ($500,000 for certain married persons filing a joint return) of gain from the sale of your main home if **both 1** and **2** below apply.

ÿ **1.** Neither you nor your spouse if filing a joint return are excluding gain from the sale of another home after May 6, 1997.

ÿ **2.** You or your spouse if filing a joint return owned and lived in the home for periods adding up to at least 2 years within the 5-year period ending on the date of sale. But see **Exceptions To the Use Test** and **Exceptions To the Ownership and Use Tests** on this page.

If both **1** and **2** do not apply, you may still be able to exclude all or part of the gain. See **Reduced exclusion** on page 5 for details.

To take the exclusion, complete Part IV. If the gain is less than the maximum exclusion entered on line 25, the difference cannot be excluded on a future sale of another main home. For more details on this exclusion, see Pub. 523.

#### Exceptions To the Use Test

The following exceptions apply in determining the time you lived in the home sold.

**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 out the home during the absences.

**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 persons 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.

**Divorced or separated taxpayers.** You may be able to count time your spouse or former spouse was allowed to live in the home. See Pub. 523 for details.

#### Exceptions To the Ownership and Use Tests

The following exceptions apply in determining the time you owned and lived in the home sold.

**Surviving spouse.** If your spouse died before the old home was sold and you have not remarried, you are treated as having owned and lived in the home sold during any time that your deceased spouse owned and lived in the home.

**Home transferred from spouse or former spouse.** You may be able to count time your spouse or former spouse owned and lived in the home. See Pub. 523 for details.

**Home sold before 1997.** You may be able to count time you owned and lived in a previous home on which you postponed all or part of the gain, or that was destroyed or condemned. See Pub. 523 for details.

### Election To Use Rules That Apply To Sales Before May 7, 1997

If you sold your home after May 6, 1997, you can elect to use the rules, explained on page 2, that apply to sales before May 7, 1997. You can make the election if **any** of the following apply:

- You sold your home **before** August 6, 1997.
- You sold your home **after** August 5, 1997, under a contract that was binding on that date.
- You sold your home **after** August 5, 1997, **and** you bought a new home on or before that date, or under a binding contract that was in effect on that date, and that purchase would qualify you to postpone gain on the sale. See **Postponing Gain** on page 2 for details.

To make the election for this sale, complete Part II and/or Part III.

## 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.** If you are using the rules that apply to sales before May 7, 1997, 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 checked the "Yes" box on line 2.

**Part IV.** Complete this part only if you sold your main home after May 6, 1997, and you do not qualify for and elect to use the rules that apply to sales before May 7, 1997.

## Specific Instructions

### Address

If you are filing Form 2119 by itself and not with your tax return, enter your address on page 1 of the form and complete the signature area on page 2.

### 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 did not 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.

If you sold your home **after** May 6, 1997, new rules apply. See **Sales After May 6, 1997** on this page for details. Complete line 2 only if you qualify for and elect to use the rules that apply to sales before May 7, 1997.

### 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 or the exclusion for sales after May 6, 1997, 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 (3 years for the exclusion applicable to sales after May 6, 1997) 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 or line 27, whichever applies, only the part of the total exclusion that applies to your main home. On the dotted line next to line 14 or line 27, 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 and you are completing Part III of Form 2119, 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.

**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 this page). **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 this page). **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 6. **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) and adoption credit 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.** |

## 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, if you are completing Part III, see the instructions for line 16 on this page.

## Line 7

Use the worksheet on this page 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 did not 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.

**Seller-paid points.** You must subtract any points the seller paid from the purchase price of your old 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.

You must also subtract any points the seller paid from the purchase price of your new main home if you are completing Part III and either **(1)** or **(2)** above applies.

For details on points, see **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. If you completed line 27 of Form 2119, enter that amount 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,
- 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** on page 4.

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.

**Reduced Exclusion Worksheet—Line 25** (keep for your records)

| **Caution:** *Complete column (b) only if you are married filing a joint return.* | | **(a) You** | **(b) Your spouse** |
|---|---|---|---|
| **1.** Maximum amount . . . . . . . . . . . | **1.** | $250,000 | $250,000 |
| **2.** During the 5-year period ending on the date of sale, enter the **smaller** of:<br>• The number of days each person used the property as a main home, or<br>• The number of days each person owned the property. If married filing jointly and one spouse owned the property longer than the other spouse, both spouses are treated as owning the property for the longer period. | **2.** | | |
| **3.** Are you (or your spouse if filing jointly) excluding gain from the sale of another home after May 6, 1997?<br>**No.** Skip line 3 and enter the number of days from line 2 on line 4.<br>**Yes.** If the other home was sold before this home, enter the number of days between the date of sale of the other home and the date of sale of this home. Otherwise, skip line 3 and enter the number of days from line 2 on line 4 . . . . . . . . . . | **3.** | | |
| **4.** Enter the **smaller** of line 2 or line 3 . . . . | **4.** | | |
| **5.** Divide line 4 by 730 days and enter the result as a decimal. . . . . . . . . . . . . . | **5.** | | |
| **6.** Multiply line 1 by the decimal amount on line 5. | **6.** | | |
| **7.** Add the amounts in columns (a) and (b) of line 6. Enter the result here and on Form 2119, line 25. . . . . . . . . . . . . . . . . . . . . . | | **7.** | |

**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 1997 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.

### Line 25

If you checked the “No” box on line 24, see **Reduced exclusion** on this page for the amount to enter.

If you checked the “Yes” box on line 24, enter $250,000 ($500,000 if married filing a joint return **and** both you and your spouse lived in the home for a total of at least 2 years within the 5-year period ending on the date of sale). But see **Reduced exclusion** on this page for the amount to enter if:

- You (or your spouse if filing a joint return) are excluding gain on the sale of another home after May 6, 1997, **or**
- You are married filing a joint return but you are not eligible to enter $500,000 on line 25 because both you and your spouse did not live in the home for the required period.

**Reduced exclusion.** Use the worksheet on this page to figure the amount to enter on line 25 if **either 1** or **2** below applies.

ÿ **1.** You (or your spouse if filing a joint return) owned the home on August 5, 1997, and sold it after that date.

ÿ **2.** Because of a change in health or place of employment, you (or your spouse if filing a joint return):

ÿ **a.** Did not own or live in the home for a total of at least 2 years within the 5-year period ending on the date of sale, or

ÿ **b.** Are excluding gain on the sale of another home after May 6, 1997.

If neither **1** nor **2** applies, **do not** use the **Reduced Exclusion Worksheet** on this page. Instead, if you checked the “No” box on line 24, enter zero on line 25. If you checked the “Yes” box on line 24, enter $250,000 on line 25.

## **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 |
|---|---|---|
| **Additions** | | |
| Bedroom | | |
| Bathroom | | |
| Deck | | |
| Garage | | |
| Porch | | |
| Patio | | |
| Storage shed | | |
| Fireplace | | |
| Other | | |
| **Lawn & Grounds** | | |
| Landscaping | | |
| Driveway | | |
| Walkway | | |
| Fence | | |
| Retaining wall | | |
| Sprinkler system | | |
| Swimming pool | | |
| Exterior lighting | | |
| Other | | |
| **Communications** | | |
| Satellite dish | | |
| Intercom | | |
| Security system | | |
| Other | | |
| **Miscellaneous** | | |
| Storm windows and doors | | |
| Roof | | |
| Central vacuum | | |
| Other | | |

| (a) Type of Improvement | (b) Year | (c) Amount |
|---|---|---|
| **Heating & Air Conditioning** | | |
| Heating system | | |
| Central air conditioning | | |
| Furnace | | |
| Duct work | | |
| Central humidifier | | |
| Filtration system | | |
| Other | | |
| **Electrical** | | |
| Light fixtures | | |
| Wiring upgrades | | |
| Other | | |
| **Plumbing** | | |
| Water heater | | |
| Soft water system | | |
| Filtration system | | |
| Other | | |
| **Insulation** | | |
| Attic | | |
| Walls | | |
| Floors | | |
| Pipes and duct work | | |
| Other | | |
| **Interior Improvements** | | |
| Built-in appliances | | |
| Kitchen modernization | | |
| Bathroom modernization | | |
| Flooring | | |
| 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 4 . . . . . . . . . . . . . . $ ____________

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You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

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,** 20 min.; **Preparing the form,** 1 hr., 54 min.; and **Copying, assembling, and sending the form to the IRS,** 25 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. See the Instructions for Form 1040.