

**SALE OF MARITAL HOME**

First Name: John

Last Name: Does

1. Selling Price of Old Home (Excluding selling costs)	\$850,000	<b>Capital Gain Tax Rates</b>		
2. Mortgage / Equity Loans	\$150,000	<b>Ownership Interest</b>	<b>Federal</b>	<b>State</b>
		Husband	50.0%	15.0%
3. Tax Basis of Home	\$200,000	Wife	50.0%	15.0%
4. Depreciation for Business/Rental Use	\$0			0.0%

**CASH FLOW FROM SALE OF MARITAL RESIDENCE**

	<b>Husband</b>	<b>Wife</b>	<b>Total</b>
5. Share of Selling Price	\$425,000	\$425,000	\$850,000
6. Pay off Loans	\$75,000	\$75,000	\$150,000
7. Cash Flow Before Capital Gain Tax	\$350,000	\$350,000	\$700,000
8. Taxes (capital gain and depreciation)	\$11,250	\$11,250	\$0
9. Cash Flow After Capital Gain Tax	<b>\$338,750</b>	<b>\$338,750</b>	<b>\$677,500</b>

**CAPITAL GAIN TAX COMPUTATION**

	<b>Husband</b>	<b>Wife</b>	<b>Total</b>
10. Share of Selling Price	\$425,000	\$425,000	\$850,000
11. Less Exclusion of \$250,000	\$250,000	\$250,000	\$500,000
12. Revised Selling Price	\$175,000	\$175,000	\$350,000
13. Less: Basis (Basis is adjusted for depreciation)	\$100,000	\$100,000	\$200,000
14. Capital Gain	\$75,000	\$75,000	\$150,000
15. Capital Gain Tax Including State taxes	\$11,250	\$11,250	\$22,500
16. Tax on Depreciation @ 25% plus state taxes	\$0	\$0	\$0

Taxpayers are now allowed to exclude up to \$250,000 (\$500,000 for Married, Joint) of gain on the sale of a principal residence. To be eligible for the exclusion, the taxpayer must have owned the residence and occupied it as a principal residence for at least two of the five years prior to the sale. However, if a spouse is granted use of the marital home under a divorce or separation instrument, the non-occupying former spouse does not need to occupy the home as a principal residence but can use the former spouse's occupancy to satisfy the occupancy requirement.

This exclusion is allowed each time a principal residence is sold but generally no more frequently than once every two years.

Gain will be recognized to the extent that depreciation has been taken for rental or business use of the principal residence at a federal rate of 25% plus state tax.

If gain exceeds \$250,000, tax must be paid. No rollover of gain is allowed as under prior law.