



**HOMEOWNER'S
TAX WORKSHEET**

Prepared for

Name

Address

City State Zip

Phone

This form has been provided as a guide to help you keep track of the basis of your home.
It is not meant to be a substitute of a professional tax person.

Prepared By:

Phone

Tax Preparer #
(PTIN)

Date

Member, Golden Gate Society of Enrolled Agents, Inc.

P.O. Box 6272 • San Mateo CA 94403

www.ggsea.org





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Property Address:

PART I. Basis of Residence

A. ORIGINAL PURCHASE PRICE of Residence

B. LESS: Personal Property Items

-

C. PLUS: Purchase Costs to Be Added to Basis:

Description Amount

Description Amount

Description Amount

Description Amount

Description Amount

Description Amount

Total Purchase Costs +

D. Basis at Time of Purchase

E. PLUS: Capital Improvements

Description Amount

Description Amount

Description Amount

Description Amount

Description Amount

Description Amount

Total Improvements +

F. ADJUSTED BASIS





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Property Address:

PART II. Computation of Gain

A. SELLING PRICE of Residence

B. LESS: Personal Property Items

-

C. LESS: Expenses of Sale

Description Amount

Description Amount

Description Amount

Description Amount

Description Amount

Description Amount

Total Expenses of Sale -

D. Net Selling Price

E. LESS: Adjusted Basis (from Part I. Line F)

-

F. Gain on Sale (Realized Gain)

If the result is less than zero, enter zero

G. LESS: Exclusion

-

H. TAXABLE GAIN (Recognized Gain)

Preferential tax treatment is applied at approximate tax rate

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HOMEOWNER'S TAX WORKSHEET

SALE OF A PRINCIPAL RESIDENCE

The Internal Revenue code allows a homeowner to a specific amount of gain from a principal residence based on a taxpayer meeting certain requirements. However, most homeowners don't take advantage of all the adjustments in order to keep the gain as low as possible. Truth be told, most people's records are so poor that when the time comes to recognize the gain, the calculations probably have to be based on estimates instead of actual numbers.

Rules to be Eligible for Exclusion

- 1) Qualifying home must be used as your principal residence two out of the five preceding years.
This exclusion does not apply to vacation or second homes.
- 2) Effective for sales on or after May 7, 1997.
- 3) Couples filing joint returns can exclude up to \$500,000 of gain on sale of principal residence.
Single return filers can exclude up to \$250,000,
- 4) Gain in excess of applicable exclusion is taxed at appropriate capital gains rate.

Part I - Basis of Residence

A. Purchase Price

The form starts out with the original purchase price of the home, This would be the price that is shown on the closing statement at the time of purchase.

B. Personal Property Items

The cost of personal property that was included in the purchase price must be subtracted at this point. If no actual value was assigned to the property at the time of purchase, a conservative estimate should be used.

C. Purchase Costs

Included here are closing costs that the homeowners paid for the acquisition of the home but were not expensed in the year of purchase. Costs to acquire the loan and reserves for insurance cannot be deducted or capitalized.

D. Total Basis at Time of Purchase

This is the figure that is arrived at by subtracting the personal property items from the purchase price, then adding the unexpensed closing costs and then, subtracting the cumulative deferred gain.

E. Capital Improvements

IRS allows a homeowner to take the costs of capital improvements and add them to the basis of their home in order to accurately reflect the true gain in a property when it is sold. The problem is that many people find it hard to distinguish a capital improvement from a repair,

A repair is considered to be maintenance of an existing item such as fixing a dripping faucet, adding Freon to an air conditioner, or replacing a broken window.

However, a capital improvement is something that adds value to the residence either by materially adding features or extending the life expectancy of the improvement.

A good record should be kept of capital improvements and it needs to be documented with receipts and canceled checks. To avoid controversy at some point in the future, a photograph could go a long way in helping to prove that the improvement was actually made.

The basic questions to determine if an expenditure qualifies for capital improvement treatment are:

- 1) Does it materially add value to the property?
- 2) Does it extend the life of the property?
- 3) Does it adapt a portion of the home to a new use?

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E. Capital Improvements (continued)

Capital improvements can include such items as landscaping, street assessments, remodeling, swimming pool, Formica® counter-tops, and the like. If replacement items are used such as installing carpet where there had previously been carpet, only the upgrade amount can be added. For instance, if the home had a builder's grade of carpet and it was replaced with a more expensive line, only the difference between the builder's grade and the replacement can be added as a capital improvement.

An adjustment for casualty losses can also be made in this location on the form. A casualty loss is any actual monetary loss in value to the property you may have suffered but did not recognize on your tax return for the year of the loss and that you were not reimbursed for out of insurance proceeds.

F. Adjusted Basis

The combination of the total basis at time of purchase and the total capital improvements is called the adjusted basis.

Part II - Computation of Gain

A. Selling Price of Old Residence

The sales price of the property that is being sold is placed in this blank. It is the figure shown on the closing statement and sales contract.

B. Less Personal Property Items

An adjustment is made to determine the value of the real property being sold. If no actual dollar value was attached to the personal property, the IRS allows the value to be estimated. Unlike the strategy in Part I, the larger the value of personal property declared here, the smaller the gain. Therefore, don't undervalue personal property

C. Expenses of Sale

The sales expenses or sales costs of the old residence are listed here to be subtracted from the sales price of the old residence less personal property items in order to accurately reflect the gain.

Typical fees paid are brokerage fee, loan fees, title insurance, escrow fees, attorney fees, and other miscellaneous fees. Points paid by a seller are not interest but are treated like other sales costs and are basis adjustments.

However, a pre-payment penalty is considered interest and is not reported here but as interest paid on a personal residence and is reported on Schedule A of the 1040 Form.

D. Net Selling Price

The price that the property sold for less personal property items and expenses of sale in order to accurately reflect what the seller actually received for the property.

E. Basis of Residence Sold

Inserted on this blank is the adjusted basis that was calculated in Part I.

F. Gain on Sale

By subtracting the adjusted basis from the net selling price, the gain on sale is ascertained.

G. Less exclusion

Current amounts are \$500,000 of capital gain for joint taxpayers and up to \$250,000 for single filers. There is a occupancy requirements that the home must have been used as a principal residence two out of the five preceding years.

H. Taxable Gain

This amount is subject to preferential capital gains rates currently at 15% for people in the 25% and higher tax bracket and 10% for people in the 15% tax brackets.

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Examples of Capital Improvements

- A/C System
- Architect Fees
- Basement Finishing
- Bookcases
- Built-in Bar
- Built-in Oven
- Burglar Alarm System
- Cabinets
- Carpeting
- Complete Repainting
- Dead Bolts
- Deck Installation
- Drapery Rods
- Driveways
- Electrical Wiring
- Fencing/Gates
- Fireplace Addition
- Garage/Carport Addition
- Garage Door Opener
- Garbage Disposal
- Grading Soil
- Heating System
- Intercom System
- Insulation
- Kennels/Pet Runs
- Landscaping/Shrubs
- Lawn Installation
- Light Fixtures
- New Flooring
- New Plumbing
- New Roof
- Paneling
- Patio
- Patio Cover
- Patio Extension
- Permanent Barbecue
- Removing Title Clouds
- Renovations
- Room Additions
- Shelving
- Sidewalks
- Solar Panels
- Special Assessments
- Storm Windows
- Sun Shades
- Swimming Pool
- Trash Compactor
- Trees
- TV Antenna
- Walkways
- Wall Mirrors
- Wallpapering
- Water Heater
- Water Softener

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