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Alternative Minimum Tax, the Silent Financial Killer

Tax Information on Selling Your Home Tax information on selling your home can be obtained from [IRS Publication 523](#), which can be downloaded from the IRS website (<http://www.irs.gov/Forms-&-Pubs>). I have highlighted a few points that may apply to the residents of The Bay Club. The adjusted basis of your residence is the purchase price, including all purchase costs, and capital improvements to your home. Improvements are defined as items that add value to your home and have a useful life of one year or longer. Here are some examples of improvements to your home from IRS publication 523 (page 8):

- Room additions
- Central air conditioning
- Satellite dish
- Security system
- Plumbing improvements (e.g. a soft water system)
- New kitchen or bathroom
- New flooring (e.g. wall to wall carpeting)

The portion of the association dues that is allocated to the reserve fund does not increase the value of your condo, and therefore does not constitute an increase in the adjusted basis of your home. This was confirmed by the Internal Revenue Service when I called the tax practitioners' hot line.

In addition, according to the current rules, you may exclude a capital gain on the sale of your primary residence of up to \$250,000 if single and \$500,000 if married. However, there are limitations on this exclusion. You must have lived in your home for two of the last five years (i.e. the home that you designated as your primary residence). There are also some limitations if you have rented out part of your home or deducted some of the costs of your home because you used it in a trade or business (i.e. if you have taken depreciation deductions on your home). This Internal Revenue Code will allow most taxpayers to sell their home and exclude the gain not more than every two years. Feel free to contact me through the association office with other tax questions.

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