

Publication 523



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CORRECTION

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(Selling Your Home)

Pages 11 and 17, Worksheet 1, line 10. Delete "on prior year tax returns."

Pages 11 and 17, Worksheet 2, Part 2. Delete lines 6 through 11 and replace with the following:

6. Enter any depreciation claimed on the property for periods after May 6, 1997. If none, enter zero.
7. Subtract line 6 from line 5. (If the result is less than zero, enter zero.)
8. Maximum exclusion. (See *Amount of Exclusion* on page 12.)
9. Enter the smaller of line 7 or line 8. This is your exclusion. If you are reporting the sale on the installment method, enter this amount on line 15 of Form 6252.
10. Subtract line 9 from line 5. This is your taxable gain. If the amount on line 6 of this worksheet is zero, report this taxable gain on Schedule D (Form 1040) as described under *Reporting the Gain* on page 15. (Do not complete lines 11 and 12 of this worksheet.) If the amount on line 10 is zero, do not report the sale or exclusion on your tax return. **If the amount on line 6 of this worksheet is more than zero, complete lines 11 and 12.**
11. Enter the smaller of line 6 or line 10. Enter this amount on line 11 of the *Unrecaptured Section 1250 Gain Worksheet* in the instructions for Schedule D (Form 1040).
12. Subtract line 11 from line 10. If the result is more than zero, report it as described under *Reporting The Gain* on page 15.

Page 13, Worksheet 3, line 7. In the last sentence change "line 6" to "line 8."

Page 14, at bottom of column 1, Example 2. Example 2 should read:

Example 2 – use test not met. Carol bought a house in 1989. She lived in it until January 31, 1996, when she moved out and put it up for rent. The house was rented from March 1, 1996, until May 31, 1999. Carol moves back into the house on June 1, 1999, and lives there until she sells it on September 30, 1999. During the 5-year period ending on the date of the sale (October 1, 1994 – September 30, 1999), Carol lives in the house for less than 2 years as shown in the following table.

<u>Five Year Period</u>	<u>Used as Home</u>	<u>Used as Rental</u>
10/1/94 – 1/31/96	16 months	
2/1/96 – 5/31/99		40 months
6/1/99 – 9/30/99	4 months	
	<u>20 months</u>	<u>40 months</u>

Carol cannot exclude any of the gain on the sale, unless she sold the house due to a change in health or place of employment, as explained under *Reduced Exclusion*, earlier.

Page 14, at top of column 2, Example 3. Example 3 should read:

Example 3 – partial business use before the year of sale. In 1993 Harry bought a house. He used 3/4 of the house as his main home and 1/4 for business purposes. On October 31, 1998, Harry retired and started using all of the house as his main home. On November 1, 1999, he sold the house at a gain.

During the 5-year period ending on the date of sale, Harry met the 2-year use test only for 3/4 of the house. Only gain from that part of the house qualifies for the exclusion, unless he sold the house due to a change in health (or place of employment), as explained under *Reduced Exclusion*, earlier.

Page 15, second paragraph, third sentence under *Reporting the Gain*. Change "line 10" to "line 9."