

Two Home Sales in Less Than 2 Years

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Originally Published: September 29, 2006



Jessica sold her home on August 31, 2005 and excluded her gain on her 2005 Federal Income Tax Return. She bought a new home on the same day. On February 18, 2006 she accepted a job transfer approximately 400 miles away. She sold her new house on May 31, 2006, and realized a \$15,000 gain.

Since Jessica moved because of a change in place of employment, Jessica is allowed a partial exclusion on the sale of her home.

Jessica owned and occupied the residence for 170 days, and at the time of sale it had been 272 days since she last used the exclusion. The shortest of these two periods is 170 days so Jessica is entitled to exclude up to \$58,219. Since Jessica's gain was only \$15,000 she is able to exclude her whole gain even though it's been less than 2 years since she used the exclusion.

There are other reasons (or exceptions) that allow you to exclude part or all of the sale of your home even though you lived in or owned the home less than 2 years, so if this is your situation, please ask your tax consultant if your situation is an exception.

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