

and 18 of the worksheet and on line 19 of Schedule D. Then figure your tax using the Schedule D Tax Worksheet.

Reporting the Sale

Do not report the 2011 sale of your main home on your tax return unless:

- You have a gain and do not qualify to exclude all of it,
- You have a gain and choose not to exclude it, or
- You received Form 1099-S.

If you have any taxable gain on the sale of your main home that cannot be excluded, report the entire gain (line 5 of Worksheet 2) on Schedule D (Form 1040). Report the gain (other than gain allocated to business or rental use) on line 1 or line 3 of Form 8949, as short-term or long-term capital gain depending on how long you owned the home. If you qualify for an exclusion, report the sale or exchange on Form 8949 as you would if you were not taking the exclusion. Then enter the amount of excluded (nontaxable) gain as a negative number (in parentheses) in column (g). See example in the instructions for Form 8949, column (g).

If you have a loss on the sale of your main home for which you received a Form 1099-S, you must report the loss on Form 8949 and Schedule D even though the loss is not deductible. Report the transaction as discussed above. For more details, see the instructions for Schedule D (Form 1040).

If you used the home for business or to produce rental income, you may have to use Form 4797 to report the sale of the business or rental part (or the sale of the entire property if used entirely for business or rental). See [Business Use or Rental of Home](#), earlier, and the Instructions for Form 4797.

Installment sale. Some sales are made under arrangements that provide for part or all of the selling price to be paid in a later year. These sales are called "installment sales." If you finance the buyer's purchase of your home yourself, instead of having the buyer get a loan or mortgage from a bank, you probably have an installment sale. You may be able to report the part of the gain you cannot exclude on the installment basis.

Use Form 6252, Installment Sale Income, to report the sale. Enter your exclusion (line 14 of Worksheet 2) on line 15 of Form 6252.

Seller-financed mortgage. If you sell your home and hold a note, mortgage, or other financial agreement, the payments you receive in most cases consist of both interest and principal. You must separately report as interest

income the interest you receive as part of each payment. If the buyer of your home uses the property as a main or second home, you must also report the name, address, and social security number (SSN) of the buyer on line 1 of Schedule B (Form 1040A or Form 1040). The buyer must give you his or her SSN, and you must give the buyer your SSN. Failure to meet these requirements may result in a \$50 penalty for each failure. If either you or the buyer does not have and is not eligible to get an SSN, see the next discussion.

Individual taxpayer identification number (ITIN). If either you or the buyer of your home is a nonresident or resident alien who does not have and is not eligible to get an SSN, the IRS will issue you (or the buyer) an ITIN. To apply for an ITIN, file Form W-7, Application for IRS Individual Taxpayer Identification Number, with the IRS.

If you have to include the buyer's SSN on your return and the buyer is an alien who does not have and cannot get an SSN, enter the buyer's ITIN. If you have to give an SSN to the buyer and you are an alien who does not have and cannot get one, give the buyer your ITIN.

An ITIN is for tax use only. It does not entitle the holder to social security benefits or change the holder's employment or immigration status under U.S. law.

More information. For more information on installment sales, see Publication 537, Installment Sales.

Comprehensive Examples

Example 1. Peter and Betty Clark, who are married and file a joint return, bought a home in 1969. They lived in it as their main home until they sold it in February 2011 and moved into a retirement community. The Clarks can exclude gain on the sale of their home because they owned and lived in it for at least 2 years of the 5-year period ending on the date of sale.

Their records show the following.

Original cost	\$ 40,000
Legal fees for title search	250
Improvements (roof)	2,000
Selling price	395,000
Selling expenses, including commission	25,000

The Clarks use Worksheet 1 to figure the adjusted basis of the home they sold (\$42,250). They use Worksheet 2 to figure the gain on the sale (\$327,750) and the amount of their exclusion (\$327,750). Their completed Worksheets 1 and 2 follow.

Because the Clarks are married and file a joint return for the year, they qualify to exclude the full amount of their gain. Because they choose to exclude the gain, they do not report the sale of the home on their tax return.

Worksheet 1. Adjusted Basis of Home Sold—Illustrated Example 1 for Peter and Betty Clark

Caution: See the Worksheet 1 Instructions before you use this worksheet.

1.	Enter the purchase price of the home sold. (If you filed Form 2119 when you originally acquired that home to postpone gain on the sale of a previous home before May 7, 1997, enter the adjusted basis of the new home from that Form 2119.)	1.	<u>\$40,000</u>
2.	Seller-paid points for home bought after 1990 (see Seller-paid points). Do not include any seller-paid points you already subtracted to arrive at the amount entered on line 1	2.	<u> </u>
3.	Subtract line 2 from line 1	3.	<u>40,000</u>
4.	Settlement fees or closing costs (see Settlement fees or closing costs). If line 1 includes the adjusted basis of the new home from Form 2119, skip lines 4a–4g and 5; go to line 6.		
	a. Abstract and recording fees	4a.	<u> </u>
	b. Legal fees (including fees for title search and preparing documents)	4b.	<u>250</u>
	c. Survey fees	4c.	<u> </u>
	d. Title insurance	4d.	<u> </u>
	e. Transfer or stamp taxes	4e.	<u> </u>
	f. Amounts that the seller owed that you agreed to pay (back taxes or interest, recording or mortgage fees, and sales commissions)	4f.	<u> </u>
	g. Other	4g.	<u> </u>
5.	Add lines 4a through 4g	5.	<u>250</u>
6.	Cost of additions and improvements. Do not include any additions and improvements included on line 1	6.	<u>2,000</u>
7.	Special tax assessments paid for local improvements, such as streets and sidewalks	7.	<u> </u>
8.	Other increases to basis	8.	<u> </u>
9.	Add lines 3, 5, 6, 7, and 8	9.	<u>42,250</u>
10.	Depreciation allowed or allowable, related to the business use or rental of the home	10.	<u> </u>
11.	Other decreases to basis (see Decreases to Basis)	11.	<u> </u>
12.	Add lines 10 and 11	12.	<u> </u>
13.	Adjusted basis of home sold. Subtract line 12 from line 9. Enter here and on Worksheet 2, line 4	13.	<u>\$42,250</u>

Worksheet 2. **Taxable Gain on Sale of Home—Illustrated Example 1 for Peter and Betty Clark**

Part 1. Gain or (Loss) on Sale	
1. Selling price of home	1. <u> \$395,000</u>
2. Selling expenses (including commissions, advertising and legal fees, and seller-paid loan charges)	2. <u> 25,000</u>
3. Subtract line 2 from line 1. This is the amount realized	3. <u> 370,000</u>
4. Adjusted basis of home sold (from Worksheet 1, line 13)	4. <u> 42,250</u>
5. Gain or (loss) on the sale. Subtract line 4 from line 3. If this is a loss, stop here	5. <u> 327,750</u>
Part 2. Exclusion and Taxable Gain	
6. If you qualify to exclude gain on the sale, enter your maximum exclusion (see Maximum Exclusion). If you qualify for a reduced maximum exclusion, enter the amount from Worksheet 3, line 7. If you do not qualify to exclude gain, enter -0- and skip lines 8 through 13	6. <u> 500,000</u>
7. Enter any depreciation allowed or allowable on the property for periods after May 6, 1997. If none, enter -0-	7. <u> -0-</u>
8. Subtract line 7 from line 5. If the result is less than zero, enter -0-	8. <u> 327,750</u>
9. Aggregate number of days of nonqualified use after 12/31/2008. If zero, skip lines 10 through 12	9. <u> -0-</u>
10. Number of days taxpayer owned the property	10. <u> N/A</u>
11. Divide the amount on line 9 by the amount on line 10. Enter the result as a decimal (rounded to at least 3 places). But do not enter an amount greater than 1.00	11. <u> N/A</u>
12. Gain allocated to nonqualified use. (Line 8 multiplied by line 11)	12. <u> N/A</u>
13. Gain eligible for exclusion. Subtract line 12 from line 8.	13. <u> 327,750</u>
14. Exclusion. Enter the smaller of line 6 or line 13	14. <u> 327,750</u>
15. Taxable gain. Subtract line 14 from line 5. Report your taxable gain as described under Reporting the Sale . If the amount on line 6 is more than zero, complete line 16	15. <u> -0-</u>
16. Enter the smaller of line 6 or line 15. Enter this amount on line 12 of the Unrecaptured Section 1250 Gain Worksheet in the instructions for Schedule D (Form 1040)	16. <u> -0-</u>

Example 2. The facts are the same as in *Example 1*, except that Peter and Betty Clark sold their home for \$695,000 and they had no selling expenses. Their gain on the sale is \$652,750. Since they are married, meet the ownership and use tests, and file a joint return for the year,

they qualify to exclude \$500,000 of the gain. They report the remaining gain of \$152,750 (\$652,750 – \$500,000) on Form 8949 and Schedule D (Form 1040). Worksheet 1 remains the same as shown in *Example 1*. Their completed Worksheet 2 is shown next, followed by Form 8949 and the front page of the Clarks' Schedule D.

Worksheet 2. **Taxable Gain on Sale of Home—Illustrated Example 2**
for Peter and Betty Clark

Keep for Your Records 

Part 1. Gain or (Loss) on Sale	
1. Selling price of home	1. <u>\$695,000</u>
2. Selling expenses (including commissions, advertising and legal fees, and seller-paid loan charges)	2. <u> </u>
3. Subtract line 2 from line 1. This is the amount realized	3. <u> 695,000</u>
4. Adjusted basis of home sold (from Worksheet 1, line 13)	4. <u> 42,250</u>
5. Gain or (loss) on the sale. Subtract line 4 from line 3. If this is a loss, stop here	5. <u> 652,750</u>
Part 2. Exclusion and Taxable Gain	
6. If you qualify to exclude gain on the sale, enter your maximum exclusion (see <i>Maximum Exclusion</i>). If you qualify for a reduced maximum exclusion, enter the amount from Worksheet 3, line 7. If you do not qualify to exclude gain, enter -0- and skip lines 8 through 13	6. <u> 500,000</u>
7. Enter any depreciation allowed or allowable on the property for periods after May 6, 1997. If none, enter -0-	7. <u> -0-</u>
8. Subtract line 7 from line 5. If the result is less than zero, enter -0-	8. <u> 652,750</u>
9. Aggregate number of days of nonqualified use after 12/31/2008. If zero, skip lines 10 through 12	9. <u> -0-</u>
10. Number of days taxpayer owned the property	10. <u> N/A</u>
11. Divide the amount on line 9 by the amount on line 10. Enter the result as a decimal (rounded to at least 3 places). But do not enter an amount greater than 1.00	11. <u> N/A</u>
12. Gain allocated to nonqualified use. (Line 8 multiplied by line 11)	12. <u> N/A</u>
13. Gain eligible for exclusion. Subtract line 12 from line 8	13. <u> 652,750</u>
14. Exclusion. Enter the smaller of line 6 or line 13	14. <u> 500,000</u>
15. Taxable gain. Subtract line 14 from line 5. Report your taxable gain as described under <i>Reporting the Sale</i> . If the amount on line 6 is more than zero, complete line 16	15. <u> 152,750</u>
16. Enter the smaller of line 7 or line 15. Enter this amount on line 12 of the Unrecaptured Section 1250 Gain Worksheet in the instructions for Schedule D (Form 1040)	16. <u> -0-</u>

**SCHEDULE D
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Capital Gains and Losses

OMB No. 1545-0074

2011
Attachment
Sequence No. **12**

▶ **Attach to Form 1040 or Form 1040NR.** ▶ **See Instructions for Schedule D (Form 1040).**
▶ **Use Form 8949 to list your transactions for lines 1, 2, 3, 8, 9, and 10.**

Name(s) shown on return

Peter and Betty Clark

Your social security number

001-00-1111

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

Complete Form 8949 before completing line 1, 2, or 3. This form may be easier to complete if you round off cents to whole dollars.	(e) Sales price from Form(s) 8949, line 2, column (e)	(f) Cost or other basis from Form(s) 8949, line 2, column (f)	(g) Adjustments to gain or loss from Form(s) 8949, line 2, column (g)	(h) Gain or (loss) Combine columns (e), (f), and (g)
1 Short-term totals from all Forms 8949 with box A checked in Part I		()		
2 Short-term totals from all Forms 8949 with box B checked in Part I		()		
3 Short-term totals from all Forms 8949 with box C checked in Part I		()		
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions				6 ()
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back				7

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

Complete Form 8949 before completing line 8, 9, or 10. This form may be easier to complete if you round off cents to whole dollars.	(e) Sales price from Form(s) 8949, line 4, column (e)	(f) Cost or other basis from Form(s) 8949, line 4, column (f)	(g) Adjustments to gain or loss from Form(s) 8949, line 4, column (g)	(h) Gain or (loss) Combine columns (e), (f), and (g)
8 Long-term totals from all Forms 8949 with box A checked in Part II		()		
9 Long-term totals from all Forms 8949 with box B checked in Part II		()		
10 Long-term totals from all Forms 8949 with box C checked in Part II	695,000	(42,250)	(500,000)	152,750
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824				11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13 Capital gain distributions. See the instructions				13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				14 ()
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (h). Then go to Part III on the back				15 152,750

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11338H

Schedule D (Form 1040) 2011

Worksheet 2. **Taxable Gain on Sale of Home—Illustrated Example 3 for Emily White**

Part 1. Gain or (Loss) on Sale	
1. Selling price of home	1. <u> \$195,000</u>
2. Selling expenses (including commissions, advertising and legal fees, and seller-paid loan charges)	2. <u> 15,000</u>
3. Subtract line 2 from line 1. This is the amount realized	3. <u> 180,000</u>
4. Adjusted basis of home sold (from Worksheet 1, line 13)	4. <u> 52,459</u>
5. Gain or (loss) on the sale. Subtract line 4 from line 3. If this is a loss, stop here	5. <u> 127,541</u>
Part 2. Exclusion and Taxable Gain	
6. If you qualify to exclude gain on the sale, enter your maximum exclusion (see Maximum Exclusion). If you qualify for a reduced maximum exclusion, enter the amount from Worksheet 3, line 7. If you do not qualify to exclude gain, enter -0- and skip lines 8 through 13	6. <u> 250,000</u>
7. Enter any depreciation allowed or allowable on the property for periods after May 6, 1997. If none, enter -0-	7. <u> 1,791</u>
8. Subtract line 7 from line 5. If the result is less than zero, enter -0-	8. <u> 125,750</u>
9. Aggregate number of days of nonqualified use after 12/31/2008. If zero, skip lines 10 through 12	9. <u> 365</u>
10. Number of days taxpayer owned the property	10. <u> 4,273</u>
11. Divide the amount on line 9 by the amount on line 10. Enter the result as a decimal (rounded to at least 3 places). But do not enter an amount greater than 1.00	11. <u> .085</u>
12. Gain allocated to nonqualified use. (Line 8 multiplied by line 11)	12. <u> 10,689</u>
13. Gain eligible for exclusion. Subtract line 12 from line 8.	13. <u> 115,061</u>
14. Exclusion. Enter the smaller of line 6 or line 13	14. <u> 115,061</u>
15. Taxable gain. Subtract line 14 from line 5. Report your taxable gain as described under Reporting the Sale . If the amount on line 6 is more than zero, complete line 16	15. <u> 12,480</u>
16. Enter the smaller of line 7 or line 15. Enter this amount on line 12 of the Unrecaptured Section 1250 Gain Worksheet in the instructions for Schedule D (Form 1040)	16. <u> \$1,791</u>

**SCHEDULE D
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return
Emily White

Capital Gains and Losses

▶ **Attach to Form 1040 or Form 1040NR.** ▶ **See Instructions for Schedule D (Form 1040).**
▶ **Use Form 8949 to list your transactions for lines 1, 2, 3, 8, 9, and 10.**

OMB No. 1545-0074

2011
Attachment
Sequence No. **12**

Your social security number
022-00-2222

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

Complete Form 8949 before completing line 1, 2, or 3. This form may be easier to complete if you round off cents to whole dollars.	(e) Sales price from Form(s) 8949, line 2, column (e)	(f) Cost or other basis from Form(s) 8949, line 2, column (f)	(g) Adjustments to gain or loss from Form(s) 8949, line 2, column (g)	(h) Gain or (loss) Combine columns (e), (f), and (g)
1 Short-term totals from all Forms 8949 with box A checked in Part I		()		
2 Short-term totals from all Forms 8949 with box B checked in Part I		()		
3 Short-term totals from all Forms 8949 with box C checked in Part I		()		
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions				6 ()
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back				7

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

Complete Form 8949 before completing line 8, 9, or 10. This form may be easier to complete if you round off cents to whole dollars.	(e) Sales price from Form(s) 8949, line 4, column (e)	(f) Cost or other basis from Form(s) 8949, line 4, column (f)	(g) Adjustments to gain or loss from Form(s) 8949, line 4, column (g)	(h) Gain or (loss) Combine columns (e), (f), and (g)
8 Long-term totals from all Forms 8949 with box A checked in Part II		()		
9 Long-term totals from all Forms 8949 with box B checked in Part II		()		
10 Long-term totals from all Forms 8949 with box C checked in Part II	180,000	(52,459)	(121,349)	6,192
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824				11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13 Capital gain distributions. See the instructions				13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				14 ()
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (h). Then go to Part III on the back				15 6,192

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Cat. No. 11338H

Schedule D (Form 1040) 2011