Will I pay taxes if I sell my home?

A: When you sell your primary residence, is excluded from taxation up to $250,000 profit per individual owner when you qualify for the principal residence profit exclusion. When you own your home with another person, together you may exclude up to $500,000.

To qualify for the exclusion, you need to have occupied the property as your principal residence for at least **two of the last five years**. When you own your home with another person, you both must be owners and meet the two-out-of-five year occupancy rule. If only one of you meets the occupancy rule, then the profit exclusion is limited to $250,000.

However, when you and your spouse have not simultaneously owned and occupied the residence for at least two of the last five years, you still qualify for the $500,000 exclusion if:

- one of you owned the residence;
- you both meet the two-out-of-five year occupancy rule;
- you file a joint tax return for the year of the sale; and
- neither of you has taken a principal residence profit exclusion on another property within two years prior to the sale.

You do not need to occupy the home at the time of sale to qualify for the principal residence profit exclusion under the two-out-of-five year rule.

If you do not meet the two-out-of-five year occupancy rule, you do not qualify for the tax exclusion — with one exception.

If you relocated due to personal difficulties, you may still qualify for a partial tax exclusion. Personal difficulties include:

- a change in employment when your new job is located at least 50 miles farther from your home than your old place of employment or, if you were unemployed, the job is at least 50 miles away from your home;
- a change in health, such as age-related infirmities, emotional issues or even severe allergies; and
- unforeseen circumstances, such as death, divorce or natural disasters.

With the personal difficulties exception, when you relocate after occupying the property for less than 24 months, you qualify for a profit exclusion amount equal to the fraction of the ceiling amount ($250,000/$500,000) attributable to the portion of the 24 months you occupied the property.

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