In touch . . .

May 2017

A newsletter for the present and future clients of the Wilson Financial Group

Philip's Public Financial Workshops:

May 9, 6:30 pm Social Security Workshop, Lawson State, Community Development Center (CDC)

May 16, 6:30 pm Social Security Workshop Part 2, Lawson State, CDC Building

June 1, 6:30 pm Mistakes 99% of Retirees Make When Filing for Social Security Benefits, Homewood Library

June 12, 11 am & 6:30 pm Social Security Workshop, Emmett O'Neal Library

To sign up, please call our office or visit our website at www.churchrsvp.com, 745.3947.

If you would like us to provide workshops at your church, business organization, or place of employment, please contact Philip at 868.9297.

People sell their home for many reasons, such as divorce, loss of spouse or just because the kids are grown. In the past, there was not much thought given to the taxes upon selling, because the current tax rules were different.

In recent years real estate has not appreciated like in the past. So when selling, it was possible that there was not any gain in value. Many people who sold their home in recent years did not realize they could have paid taxes had there been a gain.

The biggest change for real estate is the capital gains rules. Marrieds can exclude up to $500,000 from capital gains taxes while singles can exclude up to $250,000 of gain.

To get the exclusion, you must have *owned and used the house* as your primary home for two years during the five years before you sell it. This is true even if only one spouse owns the home. Both must live there for two years to get the full $500,000 exclusion.

If only one spouse lived there for two years, only $250,000 of gain is tax free. Also, this break cannot be used more than once in two years.

There is *an exception for a quick sale* due to a job change, illness or an unforeseen circumstance, such as divorce. This exclusion is prorated based on the time lived in a home if you sell for any of those reasons. So, a single person who lived in a home for a year before being transferred to work out of state can exclude up to $125,000 of gain.

A vacation or rental home can qualify if you make it your main home for two years after you leave your principal residence. The same is true for a boat.

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A new law limits your exclusion if you turn a vacation or rental home into your main residence after 2008.

Divorced and separated spouses can use the exclusion, too, even if only one has lived in the home for two of the five years before the sale. If either spouse meets the "two-of-five rule" and one is living there, as a result of a court decree, each can exclude up to $250,000 when the house is sold.

Surviving spouses have a special rule. In a recently enacted law, widowed spouses may not extend the period of time during which they may take up to $500,000 of home-sale profit tax-free, rather than being restricted to the $250,000 amount allowed for single homeowners.

Previously, a surviving spouse was entitled to the $500,000 exclusion only when they could file a joint tax return with the deceased spouse, which was available only for the tax year in which the spouse died. The current law does allow the surviving spouse to use the $500,000 exclusion if the home is sold within two years of his/her spouse's death.

Keeping records on your home is vital to prove capital gains

It is vital to keep records on your home. If you rent the house, you'll need your records to compute depreciation if you live in the home. You will have to prove your gain from selling does not exceed $500,000, so you will not have to pay taxes.

To do this, you must keep a record of permanent improvements. Those permanent improvements add to your tax basis, thus reducing your gain. For example, if you paid $100,000 for your house and put $10,000 of improvements into it, your tax basis is $110,000. The tax is calculated on the difference of the selling price and the tax basis.

Philip S. Wilson

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Office News

We should be back in our "family/dog friendly" office by May 24 after a 30,000 pound tree fell on it. Repairs and renovations are in the process now.

Please come by and meet my new assistant Stephanie Barnes. We are delighted to have her and look forward to many years of working together.

Tif has had to leave due to health issues. We are sorry to see her go and wish her the best with her health and future endeavors.

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