

## **If I Sell My House For A Profit, How Much Can I Keep Tax Free?**

*As seen in the Orange County Register – Fountain Valley View*

This question or a similar version of it, is the single most frequently asked tax question posed to Realtors.

The most publicized change addressed by the 1997 Taxpayers Relief Act was the elimination of the familiar "roll-over" rule for sales of principal residences. According to the National Association of Realtors, most homeowners will never have to pay taxes on the profits from the sale of their home again. Because this is the most substantial modification to the tax code in 10 years, homeowners are asking important questions.

The new law eliminates the traditional system that allowed taxes to be deferred on the sale of property as long as the homeowner would "roll over" the profits into the purchase of another home within two years. That caused a lot of homeowners to "trade up" or buy bigger, more expensive homes, to avoid being taxed. Now homeowners can take profits tax free up to \$250,000 for a single homeowner and \$500,000 for a married couple filing jointly without having to "roll over" those profits.

Is this a one-time exemption, like the over-55 rule? No. You can qualify for the exemption as often as every two years, no matter what your age, as long as you have owned and used the property as a principal residence for at least two years during the five years prior to the sale. I advise you to consult with your tax professional for to ascertain further details.