

Tax implications of selling land associated with main home

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Q: My husband and I put our house and attached land on the market in 2016. We had to relocate because of job changes.

The house is still on the market. We were able to sell part of the attached land for \$65,000 and put \$60,000 of that against the existing mortgage of \$213,000. We spent the remaining \$5,000 on expenses, some of which were related to the sale of the home.

We're wondering if we'll have to pay capital gains tax on the \$65,000 we received when we sold the land.

A: You pose an interesting question. We can't tell from your question whether you'd have any federal income taxes to pay on the sale of the land. If you purchased the entire property for a certain price and you sold the land for a price where you either made no money or even lost money, we suspect you'd have no tax to pay.

The real question is whether you have a profit on the sale of the land. It seems that this house and land were all used by you as your primary residence. You will have

to determine the value of the home and the value of the land when you purchased both together. Then, you'll have to use that amount to determine the value of the land you sold. When you compare the values, you'll see if you have a profit or not.

If you compute the difference and come up with a profit, you may have to pay tax on that amount. Usually when you sell your primary residence and you've lived in it for two out of the last five years, you wouldn't have to pay taxes on the profit from that sale. (Up to \$250,000 in profits can be excluded if you're single, and up to \$500,000 in profits if you're married).

Keep in mind that any expenses relating to the sale of the land would reduce the amount of federal income taxes you'll end up paying. And, you should also know that your tax rate on the sale of the land can be no more than 20 percent (which is the current tax rate for long-term capital gains). Depending on your income, you could pay less than the 20 percent rate.

Finally, our answer could potentially change if you sell the rest of the property (including the house itself) in the same calendar year. Since you are moving

— and have to move — due to a job change, if you are able to sell your home during the same year, you might be able to lump together both sales and consider them as one. If you can consider them as one, you might get to exclude any federal income taxes from both sales.

Please don't consider that a final answer, since there may be other issues to consider based on your particular situation that could profoundly impact your tax return. Please consult with a tax

advisor, enrolled agent or accountant for more information.

(Ilyce Glink is the creator of an 18-part webinar+ebook series called "The Intentional Investor: How to be wildly successful in real estate," as well as the author of many books on real estate. She also hosts the "Real Estate Minute," on her YouTube channel. Samuel J. Tamkin is a Chicago-based real estate attorney. Contact Ilyce and Sam through her website, ThinkGlink.com.)

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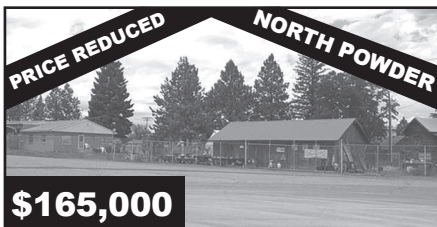
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