

REAL ESTATE



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O I am considering selling a rental property. How do the tax law changes affect me?

A The Housing Assistance Tax Act of 2008 reduces the \$250,000/\$500,000 capital gains exclusion for any rental/investment property use, termed “non-qualified” use, beginning January 1, 2009.

The provision requiring the owner to maintain residency for 2 of the 5 years preceding the sale remains in effect.

Say you have owned and rented a second house since 1991. In January 1, 2012, you move into the rental and subsequently sell on January 1, 2014.

You determine your capital gains exclusion based on the following:

- Period of qualified use as primary residence: 2 years (1/12-1/14)
- Period of non-qualified use as rental, beginning January 1, 2009: 3 years (1/09 - 1/12)
- Percentage of qualified use to total time period: 40% (2 years divided by 5 years)

You are eligible for 40% of the exclusion, or \$100,000/\$200,000.