WORKSHEET-
HOW TO CALCULATE CAPITAL GAINS

When you sell a stock, you owe taxes on the difference between what you paid for the stock and how much you got for the sale. The same holds true in home sales, but there are other considerations.

How to Calculate Gain

Your home's original sales price when you bought it (not what you brought to closing).	
Additional costs you paid toward the original purchase (include transfer fees, attorney fees, and inspections but not points you paid on your mortgage).	+
Cost of improvements you've made (include room additions, deck, etc. Improvements do not include repairing or replacing existing items).	+
Add the above items to get your adjusted cost basis:	=

The proceeds from selling your home (the amount of money you realized from the sale, less selling expenses, such as brokerage commissions, inspection costs, legal fees, title costs, money you spent to fix up your home to prepare it for sale, and so on).	
The adjusted cost basis figure from above.	-
Your capital gain:	=

A Special Real Estate Exemption for Capital Gains

Up to $250,000 in capital gains ($500,000 for a married couple) on the home sale is exempt from taxation if you meet the following criteria: (1) You owned and lived in the home as your principal residence for two out of the last five years; and (2) you have not sold or exchanged another home during the two years preceding the sale. You may qualify for a reduced exclusion if you otherwise qualify but are short of the two-out-of-the-last-five-years requirement if you meet what the tax law calls "unforeseen circumstances," such as job loss, divorce, or family medical emergency.

It is strongly recommended that you consult a professional CPA, Tax Planner or other qualified professional to confirm your figures.