Tax implications when selling real estate

Sale of owner occupied/ homesteaded property:

If you owned and lived in the home for two of the five years before the **sale**, then up to $250,000 of profit is **tax**-free. **If** you are married and file a joint return, the **tax**-free amount doubles to $500,000. The law lets you "exclude" this much otherwise taxable profit from your taxable income. (the key factor is that on their federal tax returns, this property was claimed and fits into the criteria above). Certainly, exception and other rules apply, and you should ALWAYS defer that client should speak with an accountant as we are not legally permitted to make statements of fact relating to tax liability incurred in the sale of real estate.

Sale of investment properties.

Definitely more tricky then homestead; however, generally speaking:

If you buy & sell a property, at a profit, in < 1 year… this is considered a short term capital gain, and the taxes you'll pay are treated as ordinary income (such as wages) and your tax liability will depend on which tax bracket you fall into at the end of the year.

If you sell a property from day 366+, there is a different rate and the gain is no longer considered 'short term'

Here are some helpful links related to the subject

http://time.com/money/4063296/when-i-sell-real-estate-how-am-i-taxed/

http://www.bankrate.com/finance/taxes/capital-gains-and-your-home-sale-1.aspx

https://www.washingtonpost.com/realestate/readers-plan-to-sell-investment-property-has-major-tax-implications/2014/04/09/37b80e6e-bf2b-11e3-bcec-b71ee10e9bc3_story.html?utm_term=.98020e37cfb6

https://www.forbes.com/sites/davidmarotta/2014/06/01/fourteen-ways-to-avoid-paying-capital-gains/#655744494fea