



# Addendum: 2013 EA Exam Review Course Part I Revision June


## Revision 1:

### Page 218 Example Update:

On May 28, 2006, Amy, bought a house and moved in, she lived there until May, 3, 2008, when she moved out and put it up for rent. The house was rented from June 1, 2008, to March 31, 2010. The total depreciation claimed for the period of rental use was \$10,000. She moved back into the house on April 1, 2010, and lived there until she sold it on January 29, 2012, for a gain of \$200,000. From January 31, 2007 through January 29, 2012, the 5-year period ending on the date of the sale, Amy owned and lived in the house for more than 2 years.

During the period Amy owned the house (2,073 days), her period of nonqualified use was 455 days (January 1, 2009 through March 31, 2010). Her gain, minus the depreciation, is multiplied by the fraction of 455/2073, when rounded to three decimal places equals .219 resulting in \$41,610 of nonqualified use. Therefore, Amy can exclude \$148,390 of the gain (\$200,000 realized gain minus \$10,000 depreciation minus \$41,610 nonqualified use).

### Worksheet 2. Taxable Gain on Sale of Home

Keep for Your Records 

<b>Part 1. Gain or (Loss) on Sale</b>	
1. Selling price of home	1. _____
2. Selling expenses (including commissions, advertising and legal fees, and seller-paid loan charges)	2. _____
3. Subtract line 2 from line 1. This is the amount realized	3. _____
4. Adjusted basis of home sold (from Worksheet 1, line 13)	4. _____
5. Gain or (loss) on the sale. Subtract line 4 from line 3. If this is a loss, stop here	5. <u>200,000</u>
<b>Part 2. Exclusion and Taxable Gain</b>	
6. Enter any depreciation allowed or allowable on the property for periods after May 6, 1997. If none, enter -0-	6. <u>10,000</u>
7. Subtract line 6 from line 5. If the result is less than zero, enter -0-	7. <u>190,000</u>
8. Aggregate number of days of nonqualified use after 12/31/2008	8. <u>455</u>
9. Number of days taxpayer owned the property	9. <u>2,073</u>
10. Divide the amount on line 8 by the amount on line 9. Enter the result as a decimal (rounded to at least 3 places). But do not enter an amount greater than 1.00	10. <u>.219</u>
11. Gain allocated to nonqualified use. (Line 7 multiplied by line 10)	11. <u>41,610</u>
12. Gain eligible for exclusion. Subtract line 11 from line 7.	12. <u>148,390</u>
13. If you qualify to exclude gain on the sale, enter your maximum exclusion (see <a href="#">Maximum Exclusion</a> ). If you qualify for a reduced maximum exclusion, enter the amount from Worksheet 3, line 7. If you do not qualify to exclude gain, enter -0-	13. <u>250,000</u>
14. Exclusion. Enter the smaller of line 12 or line 13	14. <u>148,390</u>
15. Taxable gain. Subtract line 14 from line 5. Report your taxable gain as described under <a href="#">Reporting the Sale</a> . If the amount on line 6 is more than zero, complete line 16	15. <u>51,610</u>
16. Enter the smaller of line 6 or line 15. Enter this amount on line 12 of the Unrecaptured Section 1250 Gain Worksheet in the instructions for Schedule D (Form 1040)	16. <u>10,000</u>