
loss on sale of house

Posted by Samantha - 2008/07/15 02:17

I have a question for all the tax gurus out there.

I know that you can not claim a capital loss on the sale of your residence. But what if you remove or revoke the homestead election; can you then claim that the house was not your residence?

The aim is to take a capital loss on the sale of your residence if you sell it for less than what you paid.

Just a tax saving idea. Ideas and responses appreciated.

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Re:loss on sale of house

Posted by steve - 2008/07/15 07:59

Samantha,

If the taxpayer revokes the homestead exemption will the house remain the primary residence for the taxpayer? If so, then I would not make a claim that its not the primary residence.

Also, if the taxpayer is permitted to claim a loss on the property because the property is properly classified as either investment property or rental property, then the loss will be subject to capital loss rule limits.

Also, if the primary residence loses the homestead exemption, be aware the the property tax will be re-assessed & uncapped whereby increasing the taxable value and taxes imposed.

Steven

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Re:loss on sale of house

Posted by OnTheGo - 2008/07/15 14:08

I think the bigger issue you have is a tax avoidance/fraud issue. Simply changing the status of an asset, but not its character, may expose your client and you to liability.

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Re:loss on sale of house

Posted by tuvok - 2008/07/15 19:15

After reading this thread my question is: how would anyone be able to check on that transaction?

I'm sure that happens all the time. Why all the worry?

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Re:loss on sale of house

Posted by steve - 2008/08/15 08:30

Tuvok-

The US tax system works on voluntary compliance and honesty. The safety mechanism is the IRS Audit/Examination department. So, if you get audited and make an improper claim, then you will owe penalties and interest on the tax deficiency. So, while you think you are saving money, if you get audited then it will cost you more than you initially saved.

So, what it comes down to is "are you a gambling man? Are you willing to take a chance and risk money, stress, and your freedom to save some \$\$?"

If you retain a competent CPA, you can find ways to save on taxes and prepare an accurate tax return.

Remember, you have an obligation to file and pay taxes, but there is no obligation to give the US Dept of Treasury a tip!

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Re:loss on sale of house

Posted by Samantha - 2008/08/22 09:08

Thanks all for your recommendations!

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