**8585. How much gain is a taxpayer permitted to exclude from income on the sale of a personal residence? How is the exclusion calculated?**

Generally, an individual who sells a principal residence may elect to exclude up to $250,000 of gain from gross income.[[1]](#footnote-1) However, married couples filing jointly may exclude up to $500,000 if they meet the following requirements:

(1) they must file a joint return for the taxable year of the sale or exchange;

(2) *either* spouse must meet the ownership requirements outlined in Q 8583;

(3) *both* spouses must meet the use requirements outlined in Q 8583; and

(4) *neither* spouse is ineligible to use the exclusion because he had used the exclusion in the two-year period ending on the date of the sale or exchange.[[2]](#footnote-2)

1. . IRC Sec. 121(b). [↑](#footnote-ref-1)
2. . IRC Sec. 121(b). [↑](#footnote-ref-2)