

New Tax Break Helps Surviving Spouses Who Delay Selling Residence

Widows and widowers who don't want to sell their house right away will get a tax break under a new law. The law gives surviving spouses two years to sell their house and receive the full \$500,000 capital gains exclusion that married couples are entitled to.

Couples who are married and file taxes jointly can sell their main residence and exclude up to \$500,000 of the gain from the sale from their gross income. Single individuals can exclude only \$250,000. Under the previous law, if a spouse died, the surviving spouse could file jointly -- and therefore get the full \$500,000 exclusion -- only for the year in which the spouse died. The new law allows surviving spouses to get the full \$500,000 exclusion if they sell their house within two years of the date of the spouse's death and other ownership and use requirements have been met. The result is that widows or widowers who sell within two years may not have to pay any capital gains tax on the sale of the home.

[This is an update of our recent 2008 Tax Tips newsletter item pertaining to the exclusion of tax upon sale of a residence.]