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The Final Split

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Real estate values in Colorado are as high as our famous 14ers. According to Colorado Public Radio, Denver is the most expensive non-coastal market in the country. This has many Colorado residents cashing out and moving to more affordable states where their home-buying dollars go much further. In the case of residential acreages, Sellers are expanding their profit potential prior to cashing out by subdividing and selling off a piece of vacant land separate from their home sale.

As with many things in life, the IRS is involved after the sale of your home. The Primary Residence Exemption allows a single person to profit \$250,000 on the sale of a primary residence without paying long-term capital taxes. A married couple filing jointly is allowed \$500,000 in profit without tax. In order to qualify, you have to live in the house for two out of the past five years, you may not have used the home for business or rental purposes, and you may not have sold another principle residence in the past two years.

For those industrious land-splitting sellers, the Primary Residence Exemption extends to include the sale of vacant land that was used as part of the primary residence. All sales must occur within two years, and pass the IRS "sniff test" listed above, and then the vacant land sale will qualify under the Primary Residence Exemption. Farmers and ranchers beware, the land has to be used as your primary residence and not for farming purposes.

Everyone's individual tax circumstances are different. If you are considering any real estate sale consult your accountant before you sell to understand your tax ramifications.

