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**Abstract:** In recent years, the residential real estate market has surged in many areas. That means there are more seniors with highly appreciated homes than ever before. Here’s one tax-saving strategy to consider for seniors who may be wondering whether they should sell or stay in their home — and may be concerned about the tax bill.

**Seniors: A taxwise alternative to selling your appreciated home**

In recent years, the residential real estate market has surged in many areas. That means many homes have greatly appreciated. If you’re a senior thinking about selling your appreciated home, the transaction may bring a painful tax bill. One alternative to consider is aging in place.

If you remain in your home until your death, the tax basis of your property is adjusted to its fair market value as of your date of death or six months later, depending on your executor’s choice. When your heirs sell the home, they’ll owe federal capital gains tax only on appreciation that occurs after this date.

If you co-own the home with your spouse, the tax basis of your portion will be stepped up when you die, and the tax basis of the remaining portion will be stepped up when your spouse dies. Chances are your heirs will owe little or no federal capital gains tax when the property is sold. In community property states, the tax basis of the entire residence will be stepped up when the first spouse dies. So, the surviving spouse can then sell the home and owe little or no federal capital gains tax.

**Important:**If these taxpayer-friendly rules for basis step-up also apply in your state, the aging-in-place strategy will work for state income tax purposes, too.

Tax planning usually calls for action. But this is one situation where it might make sense to hang tight. Contact your tax advisor to determine if this strategy is right for you and your family.