PA SCHEDULE 19

START →

Taxable Sale of a Principal Residence

PA-19 (EX) 10-19 (FI)

PA DEPARTMENT OF REVENUE

20____

OFFICIAL USE ONLY

Name(s) as shown on PA-40			Primary Taxpayer's Social Security Number
Street Address of Residence Sold			Spouse's Social Security Number
City	State	ZIP Code	

SECTION I RESIDENTIAL USE QUESTIONS

QUESTION 1. What was the date of disposition for the residence? . . . . . _____ MM/DD/YYYY

QUESTION 2. Did the taxpayer use or have use of the property for a total of at least two years during the five-year period preceding the date of disposition? ☐ Yes ☐ No

QUESTION 3. Did the taxpayer own the residence as principal residence for a total of at least two years during the five-year period preceding the date of disposition? ☐ Yes ☐ No

QUESTION 4. Did the taxpayer sell another principal residence during the two years preceding the date of disposition? ☐ Yes ☐ No

QUESTION 5. At any time during the principal residence ownership period, was any part of the property surrounding the principal residence used for business purposes? ☐ Yes ☐ No

QUESTION 6. At any time during the principal residence ownership period, was any part of the principal residence itself used for business purposes? ☐ Yes ☐ No

If the answers to Questions 5 and 6 are both "NO", go to Section II.

COMPLETE LINES 1A, 1B AND 1C IF YOU ANSWER "YES" TO QUESTION 5.

1a. Enter the fair market value of the property used for residential purposes. . . . . 1a. _____

1b. Enter the fair market value of the entire property. . . . . 1b. _____

1c. Residential Use Ratio. Divide Line 1a by Line 1b and enter as a decimal using six decimal places. Enter here and also enter on Line 9 below if the answer to Question 6 is "NO". . . . . 1c. _____

COMPLETE LINES 2A, 2B AND 2C IF YOU ANSWER "YES" TO QUESTION 6.

2a. Enter the total Square footage used for residential purposes. . . . . 2a. _____

2b. Total square footage of entire property. . . . . 2b. _____

2c Residential Use Ratio. Divide Line 2a by Line 2b and enter as a decimal using six decimal places. Enter here and also enter on Line 9 below if the answer to Question 5 is "NO". . . . . 2c. _____

COMPLETE LINE 3 IF YOU ANSWER "YES" TO BOTH QUESTIONS 5 AND 6.

3. Multiply Line 1c by Line 2c and enter the result as a decimal using six decimal places. . . . . 3. _____

SECTION II COMPUTING THE GAIN OR LOSS

MM/DD/YYYY

4. Date the property was acquired. . . . . 4. _____

5. Face value of seller financed mortgage on which payments of principal and interest will be received. . . . . 5. _____

6. Ownership ratio using six decimal places. See the instructions. . . . . 6. _____

7. Gross proceeds less expenses of sale for the entire property. . . . . 7. _____

8. Multiply Line 7 by Line 6 and enter the result. . . . . 8. _____

9. Enter the Residential Use Ratio from Line 1c, 2c or 3 above as appropriate. See the instructions. . . . . 9. _____

10. Multilply Line 8 by Line 9 and enter the result. . . . . 10. _____

11. Subtract Line 10 from Line 8 and enter the result. If Questions 5 and 6 above were answered "NO", this amount will be zero. . . . . 11. _____

12. Adjusted or alternative basis of entire property. See the instructions if property was acquired prior to June 1, 1971. . . . . 12. _____

13. Adjusted or alterntive basis of property used for nonresidentlal purposes. See the instructions if property was acquired prior to June 1, 1971. . . . . 13. _____

14. Subtract Line 13 from Line 12. . . . . 14. _____

15. Multiply Line 14 by the ratio on Line 6 and enter the result. . . . . 15. _____

16. Subtract Line 15 from Line 10 and enter the result. See the instructions. If a loss, fill in the oval. . . . . LOSS ☐ 16. _____

17. Subtract Line 13 from Line 11 and enter the result. See the instructions. If a loss, fill in the oval. . . . . LOSS ☐ 17. _____

Reset Entire Form

TOP OF PAGE

PRINT

THIS PAGE DOES NOT PRINT

pennsylvania
DEPARTMENT OF REVENUE

pennsylvania
DEPARTMENT OF REVENUE

Instructions for Schedule PA-19

Taxable Sale of a Principal Residence

PA-19 IN (EX) 03-20

WHAT'S NEW

The instructions for PA Schedule 19 have been updated to follow the department's standard formatting and branding. Additional section headings and instructions for Purpose of the Schedule, Recording Dollar Amounts, Who Must Complete, Definitions and Examples have been added while various other areas of the instructions and form have been revised or reorganized to provide additional information or clarity to the form and instructions.

GENERAL INFORMATION

PURPOSE OF SCHEDULE

PA Schedule 19 is used to determine if the gain on the sale of a principal residence meets the specific requirements to be excluded from taxable income on the PA-40, Personal Income Tax Return. Per Act 45 of 1998, the entire gain may be excluded, when applicable, as Pennsylvania does not follow the federal gain limits. PA Schedule 19 is also used to calculate the amount of taxable gain on the sale of a principal residence that does not meet the requirements or when the seller used the property at any time during the ownership period as business property. PA Schedule 19 may also be used to determine the amount of gain from the sale of a principal residence to include on Line 8, of Section III of PA-40 Schedule SP, Special Tax Forgiveness, or to include the amount of any gain or loss from the sale of a principal residence in Line 8 of the PA-1000, Property Tax or Rent Rebate Claim Form.

RECORDING DOLLAR AMOUNTS

Show money amounts in whole-dollars only. Eliminate any amount less than $0.50 and increase any amount that is $0.50 or more to the next highest dollar.

WHO MUST COMPLETE

PA Schedule 19 must be completed and included with the PA-40, Personal Income Tax Return, when a sale of a principal residence does not meet the requirements for exclusion or when the Additional Limitations apply. PA Schedule 19 must also be completed and included with the PA-40 if part or all of the residence was used for a business purpose. PA Schedule 19 should be completed, but is not required to be included, with a PA-40 return when all the Requirements for Exclusion of Gain as described later are met for exclusion of 100% of the gain. All taxpayers should complete the Residential Use Questions to determine if PA Schedule 19 must be completed and included with their return.

GENERAL INSTRUCTIONS

REQUIREMENTS FOR EXCLUSION OF GAIN

In order for the gain to be excluded, a taxpayer must meet each of the following four requirements:

1. **Date of Disposition.** The date of disposition of the principal residence must be after Dec. 31, 1997.
2. **Use.** The taxpayer used or had use of the residence as the principal residence for a total of at least two years during the five-year period preceding the date of disposition. Refer to Examples 1 and 2 in the EXAMPLES section of the instructions for additional information.
3. **Ownership.** The taxpayer owned or had owned the residence as a principal residence for a total of at least two years during the five-year period preceding the date of disposition. Refer to Examples 3 and 4 in the EXAMPLES section of the instructions for additional information.
4. **Prior Disposition.** The taxpayer did not sell another principal residence during the two years preceding the date of disposition. Refer to Examples 5 and 6 in the EXAMPLES section of the instructions for additional information.

IMPORTANT: The requirements for this exclusion apply individually. This means that married taxpayers reporting the sale of their principal residence on separate PA tax returns must individually meet all the requirements to qualify for this exclusion. If only one spouse meets all the requirements, the other spouse must pay tax on his or her share of the gain on his or her separate PA tax return. However, if married taxpayers report the sale of their principal residence on a joint PA tax return, only one spouse must meet the requirements. If unmarried joint owners sell a principal residence, each owner must meet the requirements separately.

NOTE: The taxpayer does not have to meet the use and ownership requirements simultaneously. However, the taxpayer must meet both during the five-year period preceding the date of the sale. A taxpayer may lease a property as a personal residence for one year and then purchase the residence. The taxpayer then lived in the residence for only one of the next four years. The taxpayer still qualifies for the exclusion. The taxpayer lived in the residence for a total of two years, one as renter and one as the

owner, and owned the residence for the last four years before the sale.

EXCEPTIONS

Unforeseen Circumstances

A sale of a second principal residence is not disqualifying if the sale is due to an unforeseen change in employment, health, or severe financial hardship. An unforeseen change is one caused by an accident, illness, loss of property, casualty or other unexpected event beyond the control of the taxpayer. Refer to Example 7 in the EXAMPLES section of the instructions for additional information.

ADDITIONAL LIMITATIONS

Current or Previous Business Use

No portion of a principal residence that was leased or used for business purposes with the intention to realize a profit, and was subject to the allowance for depreciation during the taxpayer's holding period, qualifies for the exclusion. For example, a taxpayer who claimed and received allowable office-at-home expenses, including depreciation, may not exclude the gain on that portion of the principal residence. This applies even if the taxpayer stopped claiming office-at-home expenses. If current or previous business use, a taxpayer must complete Section I of PA Schedule 19 to determine the residential use percentage.

Deceased Taxpayer Sale

The authorized representative of a decedent may claim this exclusion on the final PA tax return of an otherwise qualifying decedent, only if the decedent entered into the sales agreement before death. The decedent's estate or trust may not exclude the gain from the sale of the decedent's principal residence.

Mixed Use Property

If a taxpayer sells property that he or she used partly as a principal residence and partly for business, commercial, industrial, rental, investment, or other nonresidential purposes, then:

1. The taxpayer determines the gain separately on the portion of the property used for residential purposes and the portion of the property used for other purposes; and
2. The gain attributable to the property used for nonresidential purposes does not qualify for the gain exclusion. The taxpayer must report the gain or loss on PA Schedule D.

Such mixed-use property includes, but is not limited to, a sole proprietor's residence above his retail store; a duplex where the owner rents one unit and lives in the other; and an office or licensed childcare facility located within a residence. Mixed use also includes property where the land surrounding the residence is more than the taxpayer reasonably needs for a residence. The land surrounding a farmhouse that the taxpayer uses for commercial agriculture, livestock breeding, or dairy purposes is not necessary for residential purposes. If current or previous mixed use, a taxpayer must complete the Section I of PA Schedule 19 to determine residential use percentage.

More Than One Home

The residence that the taxpayer physically occupied and personally used the most during the five years preceding the sale is the principal residence. Moving furniture and personal belongings into a residence does not qualify as use. Even if the taxpayer's family physically occupied the residence, it is not the taxpayer's principal residence if he or she did not occupy and use it. Refer to Example 8 in the EXAMPLES section of the instructions for additional information.

DEFINITIONS

BUSINESS PURPOSE

Business purpose includes, but is not limited, to whenever part or all of the property was used at any time during the seller's ownership period as a home office, storage area for business related property, store front, rental property, industrial, commercial, investment or any other nonresidential purpose. Property used for business purposes may have had related income and/or expenses reported and deducted on PA-40 Schedule C, Profit or Loss from Business or Profession, PA-40 Schedule UE, Allowable Employee Business Expenses, PA-40 Schedule F, Farm Income and Expenses, or PA-40 Schedule E, Rents and Royalty Income (Loss), during the ownership period.

DATE OF DISPOSITION

The date of disposition is the date the buyer accepts the deed and title passes from the seller to the buyer, usually the date of settlement. If the seller postpones the delivery of the deed, the date of disposition is the date when possession and the burdens and benefits of ownership pass from the seller to the buyer. For a condemnation, the date of disposition is the date when the taxpayer receives the condemnation proceeds. For destruction or casualty loss, the date of disposition is the date when the taxpayer receives the casualty insurance proceeds or damages.

DISPOSITION

A disposition includes a sale, exchange, taking by eminent domain, destruction, foreclosure or other disposition of property giving rise to a taxable gain.

INCIDENTAL RENTAL

Incidental rental refers the rental period related to the sale of a home where the buyer or the seller occupy the home for a short period of time immediately before or after the date of disposition. It does not refer to circumstances where a buyer enters a rent-to-own contract prior to the actual purchase of a residence or where a property is rented out until sold.

PRINCIPAL RESIDENCE

The residence that the taxpayer physically occupied and personally used the most during the five years preceding the sale is the principal residence. Moving furniture and

personal belongings into a residence does not qualify as use. Even if the taxpayer's family physically occupied the residence, it is not the taxpayer's principal residence if he or she did not occupy and use it.

RESIDENCE

A residence is a house, lodging, or other place of habitation, including a trailer or condominium, that has independent or self-contained cooking, sleeping and sanitation facilities that the taxpayer physically occupied and used for residential purposes at some time during the past five years.

A residence is not a property that the taxpayer:

- Does not occupy; or
- Uses only on a sporadic and transient basis; or
- Uses only for a definite and promptly accomplishable purpose.

USE

Use refers to consistent, continual occupancy by the taxpayer for residential purposes. In determining whether a residence was occupied and used for residential purposes, disregard absences of less than ninety consecutive days if the property is not made available for rent during the absence. Absences of any length are also not required to be considered if the taxpayer is in a hospital, nursing home, or a personal care facility, and the residence is not made available for rent during the absence.

SCHEDULE INSTRUCTIONS

IDENTIFICATION INFORMATION

NAME(S)

Enter the taxpayer's name as shown on the PA-40. Include both the taxpayer and spouse's names if filing a joint return.

ADDRESS

Enter the address of the residence being sold in the appropriate spaces.

PRIMARY TAXPAYER'S SOCIAL SECURITY NUMBER

Enter the Social Security number (SSN) of the primary taxpayer (name shown first on the PA-40, Personal Income Tax Return).

SPOUSE'S SOCIAL SECURITY NUMBER

Enter the spouse's SSN if filing a joint return.

LINE INSTRUCTIONS

SECTION I

RESIDENTIAL USE QUESTIONS

Answer all of the questions as noted in Section I of PA Schedule 19. If the taxpayer meets all the requirements for the exclusion of the gain on the sale of a principal residence but the property was used for residential and other purposes, Questions 5 and 6 must be answered, If the answer to either Question 5 or 6 is "Yes", Lines 1a through 3 must also be completed as necessary.

If the property was sold after Dec. 31, 1997, the answers to Questions 2 and 3 are "Yes", and the answers to Questions 4, 5 and 6 are "No", the taxpayer qualifies for the exclusion of the gain on the sale of a principal residence. PA Schedule 19 is not required to be completed in its entirety and should not be included with the taxpayers PA-40, Personal Income Tax Return. However, taxpayers that typically qualify for Tax Forgiveness using PA-40 Schedule SP, Special Tax Forgiveness, should complete Section II of PA Schedule 19 to determine their gain. The gain determined in Section II is required to be included on Line 8 of PA-40 Schedule SP. In addition, individuals who request a property tax rebate on the PA-1000, Property Tax or Rent Rebate Claim Form, should complete Section II of PA Schedule 19 to determine their gain or loss. The gain or loss determined in Section II is also required to be included with all other gains and losses in Line 8 of the PA-1000.

QUESTION 1

Enter the date the residence was sold. If the property was sold after Dec. 31, 1997, go to Question 2. If the property sold prior to Jan. 1, 1998, the sale of the principal residence may not qualify for an exclusion of the gain. Contact the department for alternative tax rules with respect to reporting the gain on the sale of a principal residence for sales prior to Jan. 1, 1998. In addition, skip Questions 2, 3 and 4 and go to Questions 5 and 6. If the answer to Question 5 and/or Question 6 is "Yes", complete the remainder of the schedule to determine the gain or loss on the sale of the business use portion of the property on Line 17 only.

QUESTION 2

If the answer to Question 2 is "Yes", go to Question 3. If the answer to Question 2 is "No", the sale of the principal residence does not qualify for an exclusion of the gain. Go to Question 5 and complete the remainder of the schedule. Refer to Examples 1 and 2 in the EXAMPLES section of the instructions for additional information.

QUESTION 3

If the answer to Question 3 is "Yes", go to Question 4. If the answer to Question 3 is "No", the sale of the principal residence does not qualify for an exclusion of the gain. Go to Question 5 and complete the remainder of the schedule. Refer to Examples 3 and 4 in the EXAMPLES section of the instructions for additional information.

QUESTION 4

If the answer to Question 4 is "No", go to Question 5. If the answer to Question 4 is "Yes", the sale of the principal residence does not qualify for an exclusion of the gain unless there are unforeseen circumstances. Go to Question 5 and complete the remainder of the schedule. Refer to Examples 5, 6 and 7 in the EXAMPLES section of the instructions for additional information.

QUESTION 5

If the property sold also included other buildings or land that was used for business purposes such as farming operations, rental of a garage, business property storage, business office, commercial enterprise, industrial or manufacturing reason, investment or any other nonresidential purpose during the seller's ownership period, answer the question "Yes". Lines 1a through Line 1c must also be completed. If only a residence was sold, answer the question "No".

QUESTION 6

If the property sold consisted only of a principal residence and during the seller's ownership period any part of the principal residence was used at any time as a home office, rental property (other than incidental rental), storage location for business property, storefront or any other nonresidential purpose, answer the question "Yes". Lines 2a through 2c must also be completed. If the principal residence had no current or prior business purpose or use, answer "No".

LINE 1a

Line 1a must be completed if the answer to Question 5 only is "Yes" or the answers to both Questions 5 and 6 are "Yes". Enter the fair market value of the portion of the property used by the seller for residential purposes only.

LINE 1b

Line 1b must be completed if the answer to Question 5 only is "Yes" or the answers to both Questions 5 and 6 are "Yes". Enter the fair market value of the entire property.

LINE 1c

Divide the amount on Line 1a by the amount on Line 1b and enter the result here and also enter on Line 9 of Section II of PA Schedule 19 when Question 6 is answered "No". Enter the amount as a decimal ratio entering the ratio out to six decimal places.

LINE 2a

Line 2a must be completed if the answer to Question 6 only is "Yes" or the answers to both Questions 5 and 6 are "Yes". Enter the square footage of the portion of the property used just for residential purposes. Do not include any portion of the property used for business purposes at any time during the seller's ownership period

LINE 2b

Line 2b must be completed if the answer to Question 6 only is "Yes" or the answers to both Questions 5 and 6 are "Yes". Enter the square footage of the entire residence.

LINE 2c

Divide the amount on Line 2a by the amount on Line 2b and enter the result here and also enter on Line 9 of Section II of PA Schedule 19 when Question 5 is answered "No". Enter the amount as a decimal ratio entering the ratio out to six decimal places.

LINE 3

Line 3 must be completed if the answer to both Questions 5 and 6 are "Yes". Multiply the amount on Line 1c by the amount on Line 2c. Enter the result here and on Line 9 of Section II of PA Schedule 19. Enter the amount as a decimal ratio entering the ratio out to six decimal places.

SECTION II

COMPUTING THE GAIN OR LOSS

LINE 4

Enter the date the residence was acquired.

LINE 5

Enter the face value of any seller financed mortgage, note, or other financial instrument on which the seller will receive periodic payments of principal and/or interest from this sale. Interest received on a seller financed mortgage is excludable for PA personal income tax purposes to the extent the gain on the sale of the principal residence is excludable. If the gain determined on Line 16 is excludable, multiply the total interest received by the Residential Use Ratio to obtain the nontaxable (excludable) interest received. Subtract the non-taxable interest amount from the total interest received to obtain the taxable interest amount. Any nontaxable interest received is included in Line 2 of Section III of PA-40 Schedule SP, Special Tax Forgiveness. The nontaxable interest must also be included in Line 7 of the PA-1000, Property Tax or Rent Rebate Claim Form.

LINE 6

If the principal residence was owned with another person or persons, enter the taxpayer's ownership interest as a decimal ratio. Refer to Examples 9 and 10 in the EXAMPLES section of the instructions for additional information. If the property was only owned by the taxpayer or the property is being sold by a taxpayer and spouse filing a joint return, enter the ratio as 1.000000.

LINE 7

Enter the gross sales price or fair market value of cash and property received for the entire property, including the portion of the property used for nonresidential purposes, less any applicable expenses of sale, real estate commissions, transfer taxes, etc.

LINE 8

Multiply the amount on Line 7 by the ratio on Line 6. This is the portion of the sale proceeds attributable to the taxpayer.

LINE 9

Enter the Residential Use Ratio, from Line 1c, Line 2c or Line 3 above as appropriate. If the answers to Questions 5 and 6 were both "No", enter the ratio as 1.000000.

LINE 10

Multiply Line 8 by Line 9 and enter the result. This is the residential use portion of the sale proceeds.

LINE 11

Subtract Line 10 from Line 9 and enter the result. This is the nonresidential use portion of the proceeds from the sale of the residence. If the answers to Questions 5 and 6 were both "No", this amount will be zero.

LINE 12

Enter the adjusted or alternative basis of the entire property. This usually is the same basis used for federal income tax purposes. Generally, the adjusted basis will be the original cost of the property plus the cost of any improvements less any accumulated depreciation allowed or allowable on the property. If the property was acquired before June 1, 1971, the alternative basis must be determined for Line 12 using the methods prescribed on PA Schedule D-71, Gain or Loss on Property Acquired Prior to June 1, 1971, (Form REV-1742) for determining Alternative Basis and Determination of Fair Market Value as of June 1, 1971. The alternative basis is Column e on PA Schedule D-71.

LINE 13

Enter the adjusted or alternative basis of the property used for nonresidential purposes. Adjusted basis is usually the original cost of the property, plus the cost of any improvements less the accumulated depreciation allowed or allowable on the property. If the property was acquired before June 1, 1971, the alternative basis must be determined for Line 12 using the methods prescribed on PA Schedule D-71, Gain or Loss on Property Acquired Prior to June 1, 1971, (Form REV-1742) for determining Alternative Basis and Determination of Fair Market Value as of June 1, 1971. The alternative basis is Column e on PA Schedule D-71. If the taxpayer answered "No" to Questions 5 and 6, this amount will be zero.

LINE 14

Subtract Line 13 from Line 12. This is the residential use portion of the adjusted or alternative basis.

LINE 15

Multiply Line 14 by the ownership ratio on Line 6. This is the taxpayer's portion of the basis in the residential use portion of the property.

LINE 16

Subtract Line 15 from Line 10 and enter the result. This is gain or loss on the taxpayer's portion of the property.

If the answer to either Question 2 or 3 is "No" or the answer to Question 4 is "Yes"; this is the taxable gain on the sale of a principal residence that is required to be reported. Report the taxable gain on the sale of a principal residence on Line 7 of PA Schedule D, Sale, Exchange or Disposition of Property. A loss on the sale of a principal residence is a personal loss is not an allowable loss for PA personal income tax purposes.

If the answers to Questions 2 and 3 are "Yes" and the answer to Question 4 is "No"; this is the excludable gain or loss on the sale of the principal residence.

TIP Excludable gains must be reported on Line 8, of Section III of PA-40 Schedule SP, Special Tax Forgiveness. Excludable gain or loss must also be included in Line 8 of the PA-1000, Property Tax or Rent Rebate Claim Form. Refer to Example 11 in the EXAMPLES section of the instructions for additional information.

LINE 17

Subtract Line 13 from Line 11. This is the gain on the sale of the business use portion of the property. Report the gain on Line 1 of PA Schedule D, Sale, Exchange or Disposition of Property. Refer to Example 12 in the EXAMPLES section of the instructions for additional information.

EXAMPLES

EXAMPLE 1: John bought a house in Harrisburg on January 1, 1995. He lived there until July 1, 1996. He changed jobs and moved to Pittsburgh in July 1996. He maintained his Harrisburg home. He did not rent it or use it for any other purpose. He moved back to his Harrisburg residence in 1997 and lived there until he sold it in 1999. John meets the requirement for using his house as his principal residence for at least two years during the five-year period preceding the sale.

EXAMPLE 2: Use the same facts as in Example 1, except John never moved back to his Harrisburg home. He does not meet the use requirement for this exclusion. Even though he never rented his house or used it for any other purpose, John must pay PA income tax on any gain he realized from the sale of his Harrisburg home.

EXAMPLE 3: Mary leased one half of a house in State College. She resided there since 1994. In 1996, she bought the entire property. She used the entire property as her principal residence until she sold it in 1999. Mary meets the ownership requirement for this exclusion.

EXAMPLE 4: Use the same facts as in Example 3, except Mary bought the house in 1998. She does not meet the ownership requirements, even though she used the entire house as her principal residence. She must pay PA income tax on any gain she realized from the sale of her State College home.

EXAMPLE 5: Rob and Ann owned and lived in a house in Johnstown. In February 1996, they moved to Erie and bought a new house. In August 1996, they sold their Johnstown home. They owned and used the Erie home as their principal residence until they sold it in June 1999. They meet all the requirements for this exclusion.

EXAMPLE 6: Use the same facts as in Example 5, except Rob and Ann sold their Johnstown home in August 1997. They do not meet the prior disposition requirement for this exclusion. They owned and used their house for at least two years during the five-year period preceding the sale. However, they must pay PA income tax on any gain they realized from the sale of their Erie home, because they sold a previous principal residence within two years of their 1999 sale.

EXAMPLE 7: Use the same facts as in Example 6, except that Rob and Ann sold their Erie principal residence because Ann's employer relocated its operations to Williamsport. They qualify for this exclusion because of an unexpected change in employment.

EXAMPLE 8: Bill and Helen purchased a home in Pittsburgh in January 1995. Bill began working in Philadelphia in March 1995 and leased an apartment there. He commuted to Pittsburgh on weekends, holidays, and vacations. In January 1999, Bill and Helen sell their Pittsburgh residence. Helen meets the use and ownership requirements for the exclusion. Bill meets the ownership requirement. Bill does not meet the use requirement. He only used his Pittsburgh home for two months in 1995. His principal residence was his apartment in Philadelphia. Helen qualifies for the exclusion on her half of the gain from the sale of the Pittsburgh residence. Bill must pay PA income tax on his half of the gain. However, if Helen and Bill file a joint PA tax return, they both qualify for the full exclusion.

EXAMPLE 9: The primary taxpayer and spouse jointly own their home that had business use during their ownership period. They are electing to file separate PA-40, Personal Income Tax Returns. Each qualify for the exclusion but must report the gain on the business use portion. Their ownership ratios are 0.50.

EXAMPLE 10: A taxpayer and her brother and sister equally own a home. The taxpayer is the only one who lives in the home. The taxpayer meets all the requirements for the exclusion. The brother and sister do not qualify. The taxpayer's ownership ratio is 0.333333.

EXAMPLE 11: Jason and Jamie sold their home on April 23, 2019. They purchased the home on January 31, 1980 and used the home as their principal residence continuously until it was sold. They did not own or sell another principal residence during the last two years of their ownership period. They purchased the property for $50,000 in 1980 and the net sales price after expenses of sale for the property was $65,000. Jason and Jamie offered a seller financed mortgage to the buyer with a face value of $57,000. Jason and Jamie were the sole owners of the property. Jason and Jamie qualify for the exclusion of the gain on the sale of their principal residence of $15,000.

In 2019, Jason and Jamie are retired and are both over 67 years of age and have $10,000 of interest and dividend income of which $1,000 is nontaxable for PA personal income tax purposes as it was from the mortgage on the sale of their home. They have no other income except pension income of $5,000 and Social Security income of $18,000 and $15,000, respectively. Jason and Jamie do not qualify for Tax Forgiveness in 2019 because they must include the gain on the sale of their principal residence on Line 8 of Section III of PA-40 Schedule SP, and $1,000 of nontaxable interest in Line 2 of PA-40 Schedule SP. Therefore, their total eligibility income for determining Tax Forgiveness is $25,000 ($9,000 taxable income plus $1,000 nontaxable interest plus $15,000 of excludable gain on the sale of a principal residence).

EXAMPLE 12: Same home and income facts as Example 11 except that Jason had a home office during tax years 1993 through 2012. Jason deducted a depreciation expense on 10% of his home on PA-40 Schedule UE, Allowable Employee Business Expenses, on their tax returns for each of those 20 tax years. Jason used the straight-line depreciation method with a 40-year useful life and the accumulated depreciation was $2,500 for the 20 years. The total square footage of the home was 1,000 square feet.

Jason and Jamie would be able to exclude $11,000 from the sale of their principal residence. They would also be required to report $4,000 of gain on the sale of the business use portion of the home and $100 of interest income from their seller financed mortgage. Based upon the eligibility income rules, Jason and Jamie would not qualify for Tax Forgiveness on PA-40 Schedule SP, as their eligibility income would still be $25,000 ($13,100 of taxable income, $900 of nontaxable interest income and $11,000 of excludable gain on the sale of a principal residence).