



## **Benefits / Cost vs. Value Impact / Tax Break Factors of Remodeling Your Home**

There are many benefits to remodeling your home; at the top of the list is pride of homeownership. For so many of us, we have to remodel our home in stages or as various home products reach obsolescence or disrepair. If you do not have an urgent need to remodel due to unexpected events (ie. leaking roof, structural damage, etc.), how do you decide what takes priority? Lets review some of the relevant factors to consider when evaluating renovation needs.

### **Benefits of Remodeling**

- **Increasing the Value of Your Home**
- **Reduce Utility Cost by Increasing Your Homes Energy Efficiency**
- **Make Your Home More Comfortable**
- **Reduce Maintenance Repair Cost**
- **More Effective Use of Space and Storage**
- **Correct Obsolete Products or Home Disrepair**
- **Correct Poor or Ineffective Home Design**
- **Create a Safer Environment for Aging Members**
- **Fit Your Lifestyle Better**
- **Greater Homeowner Pride**

### **Cost v Value Relationship on Major Remodeling**

According to REMODELING magazine, the following home improvement areas were measured to reflect the cost vs value relationship within the same year of completing. These pricing matrix were measured for the national housing remodeling market and the Houston housing remodeling market analyzing both midrange projects and upscale projects. The national average for payback for a composite of renovation projects range was 64% - 74% in the same year.

<b>Project Improvements</b>	<b>Cost Recouped (same year)</b>
• Window Replacement (vinyl or wood)	74%
• Bathroom Remodel	60%
• Major Kitchen Remodel	66%
• Two Story Addition	71%
• Master Suite Addition	60%
• Family Room Addition	69%



Marwood Construction cost vs value advise for their clients, based on these results, that it is best if you are planning a major remodeling project that you consider living in your home for at least 5 years after your remodel. Beyond 5 years the effects of inflation on new construction cost and the rising cost of land in most metro areas, remodeling can show an attractive return on investment.

There are many other cost factors to consider as part of the home remodeling investment equation when assessing your renovation needs. This is such a case when you are considering alternatives such as moving instead of remaining in your home and remodeling. The cost associated with placing your home for sale on the market include sales commissions, closing cost and moving expenses should be weighed as part of the entire financial picture.

Another major financial disadvantage of selling your existing home is that the accumulated capital gains you experience from your existing home are lost in the transaction of buying a new home. Whereas if you were to remain in your home and remodel or build on an addition, your existing homes appreciated value would increase at a greater rate amount.

Other considerations of remodeling are the current tax breaks that should be considered when evaluating financial considerations of different renovation project needs.

## **Current Tax Breaks**

### *Cash for Clunker Appliances*

Starting this fall, as part of the economic stimulus plan under the American Recovery and Reinvestment Act, the “Cash for Clunkers” extends to Appliances. Basically, purchase a new energy efficient appliance and get a tax credit of \$200. Just like the “Cash for Clunker Automobiles” there is a set dollar amount set aside for this program and once the money is gone, the program is over.

Appliance companies should have available to you the list of products they carry that qualify. You may have to surrender your existing appliance in order to receive the benefit.

### *Energy Efficiency Tax Break*

Install a solar panel to provide your home energy and not only will you see a substantial tax credit and your electric usage drop, but you may even be able to sell energy back to the electric company.

For those of us who are less adventurous – upgrade your boiler, heater, furnace, air conditioner, windows, roof, or insulation and you will not only see savings on your gas and electric bills.



The credit covers 30% of the energy saving improvements, capping at \$1,500 for 2009 and 2010. The credit may no longer be available after 2010. When you complete your tax return be sure to include Form 5695. The [IRS website](#) gives more information.

### **Potential Future Tax Breaks (Pending Extension 2017)**

#### *The Home Improvements Revitalize the Economy (HIRE) Act of 2009*

Provides a tax deduction of up to \$2,000 per family, or a tax credit of \$500, for the purchase of certain materials and home furnishings. If you use green products that meet LEED (or other recognized standards) the tax deduction would actually double. Purchases excluded from the HIRE Act are major appliances, house wares and electronics.