

## **IRS Tax deductions for home –modifications**

Spring 2003 article for Special Living magazine

By Charles M. Schwab Architect AIA

### **Q & A**

A gentleman from Ohio called asking me to elaborate on allowed tax deductions for home –modifications, capital expenses incurred if home improvements are necessary for medical reasons. The following comes from I.R.S, Pub. 502, medical and dental expenses.

You can include in medical expenses amounts you pay for special equipment. Installed in a home, or for improvements, if their main purpose is medical care for you, your spouse, or your dependent. The cost of permanent improvements that increase the value of your property may be partly included as a medical expense. The cost of the improvement is reduced by the increase in the value of your property. The difference is a medical expense. If the value of your property is not increased by the improvement, the entire cost is included as a medical expense.

Certain improvements made to accommodate a home for a disability condition, do not usually increase the value of the home and the cost can be included in full as a medical expense. I personally disagree with the above statement, as stated by the IRS. As the baby boomers age these improvements will definitely improve the resale value of your house. That being said, perhaps the time to make these improvements is sooner than later. These improvements include, but are not limited to the following items.

- Adding an elevator or stair lift system. Elevators generally add value to the house. Other improvements include:

- Constructing entrance or exit ramps for your home

- Widening doorways at entrances or exits to your home is a deductible expense.

- Widening or otherwise modifying hallways and interior doorways is deductible.

- Installing railings, support bars, or other modifications to bathrooms.

- Lowering or modifying kitchen cabinets and equipment is deductible.

- Moving or modifying electrical outlets and fixtures is deductible.

- Modifying fire alarms, smoke detectors, and other warning systems.

- Modifying stairways.

- Adding handrails or grab bars anywhere (whether or not in bathrooms)

- Modifying hardware on doors.

- Modifying areas in front of entrance and exit doorways.

- Grading the ground to provide access to the residence.

Only reasonable costs to make a home-modification are considered medical care. Additional costs for personal motives, such as for architectural or aesthetic reasons, are not medical expenses. Lets take an example: Our friend in Ohio adds an in home elevator with a final installed price of \$16,000 ( a good starting cost for home elevators) He pays an appraiser to check the increased value of the house, the appraisal cost is probably not deductible but you should verify all of this with your Accountant . The increase in value of your home due to this improvement is determined to be \$4,500. Your medical expenses due to the improvement are \$16,000- \$4,500 Or \$11,500.

As a footnote remember it is always much less expensive to include accessible/ universal design features in the original design of the home. Our universal designed “smart” home plans incorporate all of the above and more in the initial design.

Speaking of taxes do not forget business deductions for complying with the ADA, Section 44 of the IRS Code allows a tax credit for small businesses and Section 190 of the IRS Code allows a tax deduction for all businesses.

Charles Schwab AIA, Architect and  
Author of *Universal Designed Smart Homes for the 21<sup>st</sup> century*