

Remodeling makes sense to more and more people

Rising interest rates are causing many people to remodel their houses rather than buy new ones. But, before you make any home improvements, do your homework. The Michigan Association of CPAs points out that some improvements enable you to in-

crease the resale value of your house, as well as save you tax dollars. Kitchen fix-ups, the most common remodeling project among homeowners, typically yield the highest return when a house is resold. Adding a family room, a

master bedroom suite or a bathroom also has a high resale value. Another renovation that increases marketability in today's market is a sun room.

When making renovations, keep energy efficiency in mind. For example, replacing your furnace or adding new double-paneled windows may help you reduce heating bills. What's more, to help you make such improvements, utility companies may offer you a low-interest loan or a cash rebate.

Also, keep in mind that it may not pay to expand your house beyond the norms of your neighborhood. For instance, you may not be able to recover the cost of adding a large grandparent or baby-sitter suite, equipped with its own kitchen, bath and separate entrance, in a neighborhood of small houses. Similarly, typical house buyers may not be willing to pay extra for improvements such as pools, tennis courts or elaborate landscaping.

When you sell your house, you generally have to pay a tax on any profit — that is, the difference be-

tween your house's net selling price (selling price less broker and legal fees, etc.) and its adjusted basis. To determine your house's adjusted basis, add the cost of any improvements to the amount you originally paid for the house. Adding the cost of improvements to your house's basis means that every dollar you spend to improve your house could shave a dollar off your future taxable gain. That's because the greater your basis, the lower your profit — and the less taxes you pay.

For tax purposes, the Internal Revenue Service (IRS) distinguishes between improvements and repairs. Expenditures qualify as improvements only if they add to the value of your house, considerably prolong its life or adapt it to a new use.

Examples of improvements include converting an attic into living space, installing central air conditioning, adding another bathroom or bedroom, putting in new plumbing or wiring or paving a driveway. Storm windows, light-


ing fixtures, skylights, new trees or shrubs, termite proofing and waterproofing also qualify as improvements. One test to determine if a renovation qualifies as an improvement is whether it is permanent. For example, you can add to your basis the cost of built-in bookcases or wall-to-wall carpeting, while the cost of a free-standing bookcase or a room-size rug doesn't qualify.

According to the IRS, repairs differ from improvements in that repairs merely maintain your property in good working condition. For example, fixing a leaky roof is considered a repair. However, installing a new roof is considered an improvement. Thus, basic repairs and maintenance, such as the cost of painting or repairing gutters generally offer no tax benefit since they cannot be added to the basis of your house.

How you pay for home improvements also can affect your tax bill. Your best strategy (depending on available interest rates) is to avoid paying interest charges

by using as much cash as you can afford to finance the improvement. If that's not possible, you may want to look into a home equity loan. The interest paid on home equity loans or home equity lines of credit is usually less than the rate charged for other forms of borrowing. In addition, these types of loans offer a tax break because the interest usually is deductible (some restrictions apply to certain high-income individuals). Keep in mind that using your house as collateral has serious implications, so borrow only an amount you are confident you can repay.

When you file your tax return for the year in which you sold your house, you'll need to complete Form 2119, Sale of Your Home, on which you calculate the profit on the sale of your house. CPAs recommend that you prepare a worksheet and keep a running record of all home improvements, along with bills, contracts, receipts and other substantiating records, from the day you become a homeowner.



HERE'S SOMEONE WE'RE REALLY SOLD ON.

We're proud to announce that John Merriman has joined our Livonia Office.

John is a former school teacher and has worked and lived in Livonia for almost 25 years. John is a volunteer with the Livonia Historical Society, a volunteer teacher at the Westland Convalescent Center, and many other organizations. Please call John Merriman at 462-1811 for all of your real estate needs.

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Yesterday's luxuries are today's 'must haves'

Design features that just a decade ago were considered luxury items will be standard in new houses by the turn of the century, according to "The Futures of Home Building," a newly published analysis by the National Association of Home Builders (NAHB).

Viewed as luxuries in the 1980s, a number of design elements are rapidly becoming standard features in response to changing demographics and consumer expectations, the study found. Among them are:

- Walk-in closets.
- Kitchens with central islands and walk-in pantries.
- Large, luxurious bathrooms as part of master bedroom suites.
- Higher ceilings.
- A room that is designated as a media room.
- More use of windows to bring the outdoors inside.

At the high end of the market, another set of luxury features is expected to become more widespread by the end of the decade. In the upper price ranges, more houses will include:

- Two master bedroom suites.
- A fitness room.
- A fully dedicated media room with a built-in large screen T.V. system.
- Security/lighting/energy management systems.

Other changes will be dictated by regulation, rather than demographics or consumer expectations, the NAHB study found. They include the use of radon mitigation systems in high-risk areas, the use of water-conserving plumbing fixtures, widespread use of energy-efficient windows and high performance insulation, and larger town houses to accommodate model code changes to staircase geometry.

In response to a variety of concerns, house builders also will change some of the materials and methods that they use to construct houses. Higher lumber prices will speed the adoption of wood substitutes including engineered wood products, steel and masonry. Furthermore, worker safety and environmental concerns will result in the expanded use of safer construction products such as roofing systems that don't require hot tar. And shortages of skilled workers will encourage the use of products such as wall panel systems that reduce the need for skilled labor.

Other findings of the NAHB study include:

- Kitchens and baths will remain a key to selling houses and will incorporate more elaborate designs.
- Computer-assisted design packages will be used by more

builders to customize houses for buyers and to rapidly estimate the cost of design changes.

■ Window manufacturers will use energy-efficiency labels that will allow builders to better compare different products.

■ Builders will intensify their efforts to build in an environmentally sensitive manner.

■ The share of builders who use complete factory-built systems will remain small, but the use of factory-built components such as wall panels and roof trusses will increase.

The Michigan Association of Home Builders is comprised of more than 10,000 member companies, thus providing service to over 370,000 people in the house-building/construction industry. MAHB also represents 36 local home builder associations throughout the state.

Nov's 1st House The Enlarged Thornton House

Rare opportunity has now arisen to acquire Nov's historic Thornton House. Built in 1839 action has started for its renovation and enlargement. Pictured above is its completed appearance.

Newly moved to a 2 acre site the estate is located at the end of a 220 ft. private driveway with Maples planted to arch over it. Beyond sweeping lawns, pool, tennis court, and carriage house or gym can be added. Three to 4 bedroom, other large rooms. In 3,000+ sq. ft. with 3 car garage. \$395,000. Completion will take 6-8 months.

Just 3 minutes from 12 Oaks Mall, I-96, and Nov's notable schools for a family that wants to plant roots and enjoy fullness of life at home this estate is incomparable.

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REAL ESTATE ONE, INC. is pleased to announce the appointment of a new management team for its Plymouth, Michigan office:

Shirley & Ed Ford

Shirley and Ed are long time residents of Plymouth, working together successfully as a REALTOR sales team in the Plymouth/Canton area, they have amassed 16 years of residential real estate experience. Shirley is an award-winning REALTOR...she has in-depth experience dealing with the problems of people undergoing relocation. Shirley will function as the Sales Manager for the office.

Ed is a REALTOR Counselor...he is also licensed by the State to appraise residential property. Ed brings to their team many years of experience in management positions with a top Fortune 500 company. Ed will serve as the Business Manager for the office.

Both Shirley and Ed are looking forward to the challenge and are actively seeking both new and experienced real estate agents to staff openings at their Real Estate One office, located at 217 W. Ann Arbor Road in the City of Plymouth.

If you are interested in a challenging, rewarding career helping people find or sell one of their most prized possessions, call Shirley or Ed at (313) 455-7000.

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THOMPSON-BROWN is proud to announce the return of **DOLORES BERNARDIN** to our Residential Division Sales Staff.

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