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-

John Merriman

house, as well as savellars.

Kitchen fix-ups, the most common remodeling project among homeowners, typically yield the highest return when a house la resold. Adding a family room, a

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 worke

and lived in Livonia for almost 25 years. John is

a volunteer with the Livonia Historical Society a volunteer teacher at the Westland Convales cent Center, and many other organizations Please call John Merriman at 462-1811 for all

TOTAL D

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 bouse is resold. Adding a family room, a when making renovations, keep energy efficiency in mind. Adding a family room, a resold 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.

ash rebate. Also, keep in mind that it may Also, keep in mind that it may have 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-

Design features that just a dec-

tween your house's nat 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 home 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 have a dollar off your future taxable gain. That's because the greater your basis, the lower your profit — and the less taxes you pay.

pay.

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

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

Yesterday's luxeries are today's 'must haves'

ing fixtures, skylights, new trees or shrubs, termits 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 docan't qualify.

rug docan't qualify.

According to the IRS, repairs differ from improvements in that repairs merely maintain your property to good working condition. For example, fitting 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 guters generally offer no tax benefit aince they cannot be added to the besits of your house.

How you near for home improve-

How you pay for home improve-ments also can affect your tax bill. Your best strategy (depend-ing 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 went to look into a home equity loan. The interest paid on home equity loans or home equity loans or home equity loans or home equity, lines of credit is usually leas than the rate charged for other forms of borrowing. In addition, these types of loans offer a tax break because the interest usually is doubtile (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 rofilt 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.

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media room.

More use of windows to bring modate the outdoors inside.

At the high end of the market, another set of luxury features is expected to become more wide-spread by the end of the decade, in the upper price ranges, more houses will include:

If the water bedroom suites.

A filled dedicated media room with a built-in large screen T.V. system.

Design features that just a decade ago were considered luxury features is term 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, a number of design elements are rapidly becoming standard features in response to changing demographics and consumer expectations, the study found. Among them are:

3º Walk-in-loseta.

3º Kitchens with central islands and walk-in pantries.

3º Large, luxurious bathrooms apart of mastre bedroom suites.

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3º Large, luxurious bathrooms apart of mastre bedroom suites.

3º Large, luxurious bathrooms and walk-in pantries.

3º Large, luxurious bathrooms and walk-in pantries. and larger town houses to accom modate model code changes to staircase geometry.

In response to a variety of concems, 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 end
meaonry. Furthermore, worker
afety and environmental concems will result in the expanded
use of asfer construction products
such as roofing systems that don't
require hot tar. And shortages of
akilled workers will encourage the
use of products such as wall panel
systems that reduce the need for
skilled labor.

Other findings of the NAHB

Other findings of the NAHB

study include:

Kitchens and baths will remain a key to selling houses and will incorpo- rate more elaborate de-

signs.

© Computer-assisted design packages will be used by more

builders to customize bouses 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 shallow mander.

The property 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.

Increase.

The Michigan Association of them 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.



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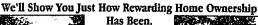
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