

HOME IMPROVEMENT & LOAN RECORD

West
Suburban
Companies

A Full Service Financial Network

1000 Jorie Blvd., Suite 300
Oak Brook, IL 60523

630.368.6390 x105

Fax 630.368.6391

www.wscfinancial.com

Property Description

Belonging To

HOME IMPROVEMENT & LOAN RECORD

Suburban

INTRODUCTION

Keeping good records for your family home has always been important. However, with recent tax law changes, good record keeping practices have become vital. They will safeguard your home mortgage interest deductions and help minimize the tax you pay when you sell your home. Most of these rules apply to both your principal family home and a "second home" if you have one.

This booklet is designed to help you keep improvement and loan records for your home in digest form. This will simplify the computations needed for your interest expense deductions, as well as the calculation of gain when you sell your home. Make sure you keep receipts and other deductions to verify the entries you make in this record book.

THE IMPORTANCE OF MAINTAINING HOME IMPROVEMENT AND LOAN RECORDS

For Current Interest Deductions: Your home mortgage interest is 100% deductible for home mortgages you obtained before October 14, 1987. However, if you obtain a new home loan or refinance your old home loans after October 13, 1987, your interest deductions may be limited.

The limitation depends on the amount you originally paid for your home, the amount you have spent on improvements, the amount of the loan, how the loan proceeds were used, etc. This booklet helps you track your loans.

For Reporting Gain When You Sell Your Home: Your family home may be your single largest asset, and the sale of that home often results in a large gain. Current tax law allows you to exclude up to \$250,000 (\$500,000 on a joint return) of that gain if you meet certain ownership and occupancy requirements. Home improvements may also be used to offset any gain that exceeds exclusion.

The current exclusion amount is very large in terms of today's home prices and potential gain. For this reason, many taxpayers tend to overlook the long term effects of inflation on home values and the potential for larger gains. They don't keep improvement records assuming the large gain exclusion will make that chore unnecessary. In addition, there is always the potential for a tax law change that could delete the exclusion, making all of the gain taxable. Since home improvements reduce any resulting gain from the sale of a home it is prudent to keep home improvement records.

RECORDS TO KEEP IN THIS BOOKLET

Use this booklet to record the purchase price and purchase costs of your home (page 6), mortgage loan history (page 6), and all home improvements (pages 7-15). A sample of how to use the book is on page 5.

WHAT ARE HOME IMPROVEMENTS?

Expenditures you make on your home fall into two general categories: 1) repairs and maintenance, and 2) improvements. However, only the cost of "improvements" will affect your current and/or future income tax returns, so keep track of these expenses very carefully. The following information will help you determine how your expenses should be categorized.

Repairs and Maintenance: Costs which you incur to keep your home in ordinary, efficient operating condition are considered either maintenance or repair costs. These expenses will NOT increase the value of your personal residence, prolong its life, or adapt it to a different use. Some examples of maintenance are: replacing faucet washers, painting a room, patching a hole in the roof, replacing the motor in a ceiling fan, etc. Do NOT record such expenses in this book.

Improvements: Improvements are generally of a more permanent nature than repairs. They enhance the value of your home and are likely to last more than one year.

If you make the same improvement more than once, only the most recent improvement will be considered. For instance, suppose you have lived in your home for ten years and have replaced the living room carpeting twice. Only the cost of the most recent carpeting will be considered an improvement cost.

When you are carrying out a general plan for renovating your home, all expenses connected with that plan will be considered improvements even though some of the expenses would normally be considered repairs and maintenance. For example, painting your kitchen would normally be considered maintenance, but if you are remodeling the kitchen, then the painting is considered an improvement. Page 4 contains a list of improvement examples.

RECORDS

Every entry in this record book should be supported with a document or receipt. Loan documents, purchase (escrow) statements, prior tax returns, and receipts for improvements should be maintained and available in case of a government audit.

You must also keep records to track the deferred gain from prior home sales, a record of the various tax deductions (such as moving and casualty) and tax credits (residential energy credits) you have claimed that will affect the basis of your home, insurance proceeds received for casualties to your home, and any depreciation claimed for business or rental use of your home.

CAUTION: The information provided in this booklet is an abbreviated summary of the rules and regulations for determining the cost basis of a home for purposes of the personal residence interest deduction limitations and for determining the gain on sale. For detailed information, records required, and various governmental regulations, consult your tax advisor.

PARTIAL LIST OF POSSIBLE HOME IMPROVEMENTS

The following represents a list of possible improvements to your home. Improvements are not limited to items appearing below. This list may help remind you of improvements you have already made to your residence or plan to make in the future. **All items need to be permanent built in fixtures and be removable when the home is sold.**

APPLIANCES

Dryer
Washer

BATHROOM

Bath Enclosure
Gold/Brass Fixtures
Massaging Shower
Medicine Cabinet
Spa Tub
Steam Shower
Tub Enclosure
Whirlpool Bath

BEDROOM

Closet Organizer
Closet Shelving
Cedar Lining
Mirrored Wardrobe

DINING ROOM

Buffet
Chandelier

ELECTRICAL

220 Volt Service
Ceiling Fan
Dimmer Switches
Light Fixtures
Low Voltage Lights
Outdoor Lighting
Photocell Switches
Timers

FLOOR TREATMENTS

Carpet
Hardwood
Linoleum
Parquet
Tile

GARAGE

Cabinets
Door Opener
Drywall
Shelves
Workbench

KITCHEN

Barbeque
Breakfast Nook
Butcher Block
Cooking Island
Dishwasher
Freezer
Garbage Disposal
Kitchen Rack
Microwave
Pantry Organizers
Refrigerator
Trash Compactor

LIVING/FAMILY ROOM

Fireplace
Fireplace Hardware
Fireplace Screens

POOL/SPA

Pool
Spa
Pool Sweep
Solar Cover

ROOF

Circulating Vents
Insulation
Rain Gutters
Skylights

UTILITIES/SERVICES

Auto Setback Thermo.
Air Conditioning
Central Air & Heat
Fire Alarm
Phone System
Reverse Osmosis
Satellite Dish
Security System
Sewer Assessments
Solar Blanket
Solar Heating
Street Light
Water Softener
TV Antenna Service

WALL TREATMENTS

Chair Rails
Mirrors
Murals
Paper
Paneling
Texture

WINDOW TREATMENTS

Awnings
Curtains
Drapes
Mini Blinds
Rods
Screens
Shades
Sheers
Stained Glass
Shutters
Solar Film
Thermo Glass
Tinted Glass

YARD/PATIO

Automatic Sprinklers
Barbeque
Block/Brick Walls
Decking
Drive
Fencing
Fire Pit
Gazebo
Landscaping
Lighting
Patio
Planter Box
Plants
Sprinklers
Trees
Walks

MISCELLANEOUS

Doors
Door Hardware
Dead Bolts
Mailbox

EXAMPLE ENTRIES

Illustrated below are examples of how to maintain the various records included in this booklet.

MORTGAGE RECORD						
Loan Acquired					Loan Paid Off	
Date Acquired	Original Loan Balance	Loan Costs	* Funds Used For	Term of Loan	Date Paid In Full	Loan Balance When Paid Off
5-1-94	110,000	1,500	P	30 Y.	11-3-01	93,456
9-1-94	15,000	375	I	10 Y.	11-3-01	15,000
11-3-01	250,000	3,750	R	15 Y		

HOME IMPROVEMENTS			
Date	Description of Improvement	Cost	Total
9-1-04	SWIMMING POOL	15,000	15,000
9-15-04	POOL COVER	285	15,285
10-1-07	AUTOMATIC SPRINKLERS	786	16,081
1-17-09	DOOR DEAD BOLTS	129	16,210
3-15-10	COVERED PATIO	4,325	20,535
2-18-11	GARAGE DOOR OPENER	325	20,860
3-3-11	ALARM SYSTEM	175	21,035

HOME IMPROVEMENTS

[illegible]

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[illegible]

[illegible]

Description of Improvement

Cost

Total

Balance from previous page.....

[illegible]

Description of Improvement

Cost

Total

Balance from previous page.....

HOME IMPROVEMENTS

[illegible]