

## Tax Deductions for Your Addition, Remodel or Accessory Dwelling – Great Design for Aging in Place Can Have Big Tax Benefits!

BY [KEVIN CASEY](#) · FEBRUARY 12, 2015

Based on interviews with several accountants, we have learned that planning for your future retirement or helping out a family member with accessibility issues can have significant tax advantages. Hopefully many people who are struggling with the cost of an addition, remodel, accessory dwelling can benefit from these insights:

Anil Melwani a CPA with 212 Tax & Accounting Services([www.212tax.com](http://www.212tax.com)) in New York NY:

If you are making improvements to your house which are medically necessary and you are advised by a health professional to make these changes then yes the improvements can be tax deductible.

Many patients who have become sensitive to chemicals or chemicals in food need to make changes in their diet or home environment that the Internal Revenue Service (IRS) allow as medical deductions. If your doctor should advise you to eat chemically less contaminated foods, change to electric house heating, cooling or other appliances, or change your carpeting, ask him for a prescription that enumerates these medically necessary changes and attach a copy of this prescription to your income tax return.

As with all deductions, it is very important you save all your receipts, not just canceled checks, so you are able to document the deduction claim.

One last thing to keep in mind is that medical expenses are not deductible until they exceed 10% of your adjusted gross income (AGI). So unless the cost of the improvements and all your other medical expenses exceeds 10% of your AGI you will not be able to deduct this as a medical expense.

It is important to note what Jason Reiman ([www.getfinfit.com](http://www.getfinfit.com)) a Certified Financial Planner adds:

The tax rules require that deductible expenses are not only reasonable but exist solely to accommodate a disabled condition. Examples include: ramps, widening doorways, support bars, modified counter tops, etc..

A "backyard cottage", on the other hand, gives the impression of building for "personal motives" (e.g., architectural/aesthetics). Even with physician recommendation, the correct position would likely be to build the structure, deducting only those items that are specific to accommodating the medical/disabled condition.

Additionally, any deductible costs must be reduced by any increase in property value. Perhaps more importantly, deductible costs only apply inasmuch as the taxpayer is itemizing her deductions on Schedule A and to the extent they exceed 10% of Adjusted Gross Income (7.5% if age 65 or older).

Lastly, Dennis Brager a former IRS trial attorney who is the founder of Brager Tax Law Group [www.bragertaxlaw.com](http://www.bragertaxlaw.com)

) adds several insights about how nuances in the tax law or prescriptions from medical professionals impact IRS decisions:

Medical deductions have been allowed by the IRS or the courts for modifications to the homes of handicapped taxpayers including adding entrance and exit ramps; widening doorways; widening or modifying hallways and for wheelchairs; installing railings, support bars, and other bathroom modifications; lowering or kitchen cabinets and appliances, adjusting electrical outlets and fixtures; installing porch lifts or other lifts; modifying fire alarms, smoke detectors, or other warning systems; modifying stairs; adding rails or bars; and grading ground to provide wheelchair access. An example is a therapy spa where a doctor advised that the spa would be beneficial in relieving the pain of severe multiple joint arthritis. On the other hand no medical deduction was allowed for the costs of converting space into a home office for a taxpayer whose kidney condition forced him to work at home.

Sometimes it's difficult to see where the line is drawn. So for example in once case a medical deduction was allowed for the cost of installing central air conditioning, where a doctor recommended that a medical condition be treated with a relative constant temperature and high humidity. But in another case a medical deduction by an asthma patient for installing central air condition was denied. So what was the difference? In the second case although the taxpayer produced a doctor's note recommending the air conditioning, but doctor wasn't the patient's doctor, but his wife's doctor who made the recommendation without examining the patient, based only upon conversations with the wife.

What this points to is the absolute necessity for appropriate tax representation in an audit so that these types of mistakes aren't made.



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