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**Ken Berry** • Nov. 08, 2022



Normally, you won't derive any tax benefits for the cost of major renovations or additions to your home, such as replacing your roof or installing a deck. These home improvements typically increase the value of your home, but they are purely personal expenses. Unless...

In certain limited situations, you may realize a tax break for a home improvement that is deemed to be medically necessary. If you qualify, a portion of the expense is deductible as a medical expense as long as you itemize deductions. But there is a major obstacle to overcome.

**Background:** Currently, you can deduct unreimbursed medical expenses in excess of

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What types of expenses qualify for the deduction? The cost must be incurred primarily for the prevention or alleviation of a physical or mental defect or illness. Conversely, an expense that is merely beneficial to your general health isn't deductible.

When you make a home improvement that is medically necessary, the deductible amount is limited to the cost above the resulting increase in the home's value.

**Example:** Say that your annual AGI is \$100,000 and you expect to have \$5,000 in unreimbursed medical and dental expenses this year. To help alleviate your arthritis, you install an in-ground swimming pool in your backyard. The pool costs \$35,000, plus you cough up \$15,000 more for fencing and landscaping around the pool.

An independent appraiser estimates that the improvements will increase your home's value by \$25,000, or half of your out-of-pocket costs.

Without the home improvements, you can't claim any medical expense deduction in 2022, because your total unreimbursed medical expenses don't exceed 7.5% of your AGI. However, \$25,000 of the cost of the pool and related expenses now qualifies for the medical deduction. That leads to a completely different—

**Tax result:** Now you're entitled to a deduction in 2022 of \$22,500 (\$30,000 – \$7,500!)

A few other common examples of home improvements that may be deductible as medical expenses are air conditioning installed to alleviate a child's asthma, an elevator constructed for an adult with a heart condition and special access modifications for a disabled person. The IRS provides a comprehensive list of qualified expenses in Pub. 502 (Medical and Dental Expenses).

**Reminder:** Be sure to obtain a written appraisal from an independent real estate

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