

Deducting Home Improvements as Medical Costs

by [Gina L. Gwozdz, CPA](#)

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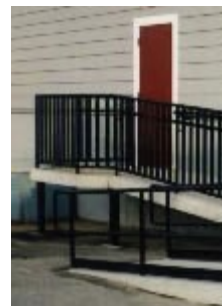
One of my clients has a daughter who suffers constantly from allergies. Recently, her doctor prescribed a central air conditioner with a special filtration system for my client to install in their home. The system, including installation, is estimated to cost \$5,800.

Thankfully my client called me before they installed the air conditioner and asked if they could deduct it. I advised them to get their home appraised **before and after**

they install the air condition, so they will know exactly how much this \$5,800 expenditure will increase their home's value, as they are only allowed to deduct the cost in excess of the increase in home value.

In order to show my client their potential tax savings I had a realtor estimate the increase in their home value for installing this air condition. The realtor estimated that their home would increase about \$1,000. The difference between the cost of the air conditioner and the increase in the home's value is a medical expense, estimated at \$4,800. My client is in the 28% tax bracket, which would makes their **tax savings \$1,344**. In addition, the system maintenance costs are also medical expenses as long as their daughter is their dependent and her medical condition persists.

My grandmother has been living with my parents for over two years now. Recently she has declined in health to the point that she is no longer able to use any stairs, so my parents removed the stairs leading to their front door and installed a ramp for her. **The cost of grading the ground, installing the ramp and handrails are a capital expenditure that qualifies in full as a medical expense deduction.** However, my mother didn't like how it looked so she had decorative wainscoting installed on the wrought-iron handrails and redid all the landscaping surrounding the new ramp. The decorative coating and landscaping was for her personal reasons and not a medical condition, so that is not deductible.



You can claim a medical deduction for the cost of special equipment that you install in your home or improvements that you make to your home, if the main reason you are installing the equipment or making the improvement is to accommodate either your, your spouses or your dependents' medical needs. Once the capital expenditure for the home qualifies as a medical expense, its operating costs and upkeep also qualify as medical expenses as long as the medical requirement continues.

How much you can deduct depends on whether or not your improvements increase your home's value. If the improvement may increase your home's value then you should get an appraisal before and after you make any permanent improvements to you home. You can deduct the amount your cost are greater than the increase in your home's value as a medical expense.

The IRS has recognized some improvements that usually do not increase the value of your home. The cost of these items can be included in full as medical expenses. These improvements include:

- Constructing entrance or exit ramps
- Widening doorways at entrances or exits
- Widening or otherwise modifying hallways and interior doorways
- Installing railings, support bars or other modifications to bathrooms

- Lowering or modifying kitchen cabinets and equipment
- Moving or modifying electrical outlets and fixtures
- Installing porch lifts and other forms of lifts (elevators add value)
- Modifying fire alarms, smoke detectors and other warning systems
- Modifying stairways
- Adding handrails or grab bars anywhere
- Modifying hardware on doors
- Modifying areas in front of entrance and exit doorways
- Grading the ground to provide access to the residence

Gina L. Gwozdz is a CPA who has chosen to specialize in taxes. Visit her website at <http://GLGcpa.com> to view more Tax Tip Articles.