

Capital Improvement Credits

Definition of “Capital Improvement”

A “capital improvement” is a permanent improvement to the property made during the homeowner’s ownership of the property for which the homeowner will receive credit at resale if the permanent improvement is one which:

- Has a cost in excess of 10% of the initial purchase price originally paid by the homeowner,
 - For improvements completed by the homeowner, the recognized cost of the improvement shall equal the documented eligible project expenses **plus** a labor credit equal to **40% of those documented expenses**.
 - $\text{Recognized Project Cost} = \text{Documented Eligible Expenses} \times 1.40$
 - Documented eligible expenses include receipts for materials, equipment rental, permits, and other direct project costs. The labor credit shall not apply to work performed by unpaid family members or volunteers and shall not be added to projects completed entirely by hired contractors.
- Has a useful life of greater than ten years subsequent to a proposed resale or transfer by the homeowner, and
- Has been made with all required permits and approvals, including without limitation homeowners’ association and governmental approvals obtained prior to the construction or installation of the capital improvement(s).

The following table shows examples of what is and is not considered a capital improvement. This is simply for demonstration and is NOT an exhaustive list.

Capital Improvement

- Adding a deck or porch.
- Adding a cover for a porch or a deck.
- Adding a garage.
- Remodeling a kitchen.

Not a Capital Improvement

- A fresh coat of paint (interior or exterior).
- Replacing an existing garage door.

- Repairing/replacing an existing heating or cooling system.
- Replacing windows or a roof.

Credits for Capital Improvements

Homeowner shall receive credit at the time of transfer for capital improvements made to the property as follows:

- If the overall value of the home has depreciated during the time that the homeowner has owned the home, the homeowner will not be eligible for Capital Improvement Credits.
- All costs should be born and paid for by the homeowner. Credits shall not be applied until time of sale.
- When providing notice of intent to sell, the homeowner shall deliver to the Program a completed Qualified Capital Improvements Application that lists the approved capital improvement(s), if any, made to the property. The Program shall determine whether the proposed improvements qualify as capital improvement(s) as defined in this policy.
 - If homeowner keeps receipts and records of improvements that may help support the value of Qualified Capital Improvement.
- The value of capital improvements shall be determined by the appraisal ordered when the home is sold. This is NOT the cost of the improvement, this is the difference in the market value of the home with the improvement and without the improvement