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How to spend the home renovation tax credit

Announcement of home reno tax credit has spurred many Canadians to call their contractor

But where should we start? New kitchen or hardwood floors? Finish the basement or install new windows? Maybe it's finally time to build that deck.

Unless you're renovating out of sheer necessity - like fixing a leaky roof - then you should think about where you'll get the most bang for your renovation buck.

The 15 per cent can be claimed on any expenditure over \$1,000 and under \$10,000. Since only \$9,000 is eligible, the maximum you can get back is \$1,350. Spend exactly \$10,000 and you'll see a savings of 13.5 per cent. Spend \$20,000 and you'll still only get back \$1,350. Your savings drop to 6.75 per cent. So now we have a budget - \$10,000.

The conventional wisdom points to re-doing your kitchen or bathroom. Home buyers are willing to pay a premium for a great kitchen or bathroom. But a survey by the Appraisal Institute of Canada found that kitchens and bathrooms tend to break even in terms of adding value. Floors and rec-rooms returned little more than 50 cents on the dollar at resale.

New energy efficient windows are worth considering. New windows can modernize the look of your home, they add some curb appeal and the energy savings are a benefit.

You can lower your energy bill today and increase your selling price tomorrow. Moreover,

you can couple the HRTC with other programs, like the one provided by ecoENERGY. Making your home more energy-efficient can qualify you for grants of up to \$5,000.

Let's stay with the windows example. On a \$10,000 expenditure you'll get \$1,350 back from the HRTC. Your out of pocket expense is \$8,650. You'll get an ecoENERGY grant of \$60 for every rough opening when you install high efficiency windows. Let's say you have 15 windows? That's \$900. Your out of pocket expense is now down to just \$7,750.

Not bad. Though several factors are involved, high efficiency windows can also bring your energy bill down by from anywhere between eight and 15 per cent. Your outlay is now approaching \$7,000, and that isn't even taking account possible increase in the price of your home.

Regardless of what you choose to do, consider a reno that is eligible for both the HRTC and the ecoENERGY grant to get the most bang for your buck. Just remember that the Home Renovation Tax Credit expires on February 1, 2010.

If you're planning on riding out this tough economy by cocooning in the comforts of your home, why not be comfortable in your space? Renovations can be a good investment and if it means you'll be spending more time at home or reducing energy costs, they can also be a money-saver in the long run.

If you're not sure what qualifies for a tax credit contact your Ontario Mortgage Team Professional today



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