
Homeowner Filing System

A home provides shelter—a basic human need. Home ownership is a significant expense and usually takes the largest proportion of the household budget. A home also requires a significant amount of time, energy, and information to operate and manage, as well as to maintain and repair. Further, most homeowners make numerous improvements to their home during the years they live in it, which also require time and money.

It is important to keep a record of information and all transactions related to a home, from the time of purchase or construction, to improvements, to sale. Such records will help save the owner time, energy, and money while they live in the home as well as when they sell it.

A homeowner can simplify record keeping by establishing a homeowner's file. Such a file may consist of three main sections: (1) records of ownership, improvement, and sale of the property, (2) records of expenditures for tax purposes, and (3) records valuable for more efficient day-to-day or year-to-year operation, maintenance, and repair.

RECORDS OF OWNERSHIP, IMPROVEMENT, AND SALE

Owning a home involves many types of information that are important over the years. The following format may be used to record and keep in one location information about the purchase, refinancing, construction, improvement or sale of a home. This information may be required for future tax purposes.

HOMEOWNER INFORMATION

Purchase or Refinancing

Property address _____
Date of purchase _____
Real estate company _____ agent _____
Address _____ phone _____
Land development company _____
Address _____ phone _____
Contractor _____ phone _____
Address _____
Mortgage lender _____ Loan officer _____
Address _____ phone _____
Mortgage amount: 1st mortgage \$ _____ 2nd mortgage \$ _____

Closing costs paid by you (keep closing papers to prove expenses):

	<u>Home Purchase</u>	<u>Refinancing</u>
appraisal fee	\$ _____	\$ _____
attorney fee	\$ _____	\$ _____
credit report fee	\$ _____	\$ _____
escrow fee	\$ _____	\$ _____
lender's inspection fee	\$ _____	\$ _____
loan application fee	\$ _____	\$ _____
loan origination fee	\$ _____	\$ _____
mortgage insurance	\$ _____	\$ _____
points (@ _____ %)	\$ _____	\$ _____
recording fee (deed)	\$ _____	\$ _____
recording fee (plat)	\$ _____	\$ _____
sales commission	\$ _____	\$ _____
survey fee	\$ _____	\$ _____
title search fee	\$ _____	\$ _____
title insurance (lender's)	\$ _____	\$ _____
title insurance (buyer's)	\$ _____	\$ _____
other _____	\$ _____	\$ _____
moving expenses	\$ _____	\$ _____

See Extension publication EC 655 *Costs To Obtain A Home Loan* for complete listing of possible costs and definitions and the uniform settlement statement.

BUILDING A HOME

Land

(if purchased other than at construction time)

Original cost of land \$ _____ Date purchased _____

Mortgage lender, address _____

Mortgage amount: 1st mortgage \$ _____ 2nd mortgage \$ _____

Construction

Architect _____ address _____ phone _____

Builder/contractor _____

Builder address _____ phone _____

Date construction completed _____

Construction price \$ _____

Warranty on construction _____

Mortgage lender _____ loan officer _____

Address _____ phone _____

Mortgage amount: 1st mortgage \$ _____ 2nd mortgage \$ _____

Moving expenses \$ _____

Other homeownership records which should be kept include the following.

	Location of original document	
	Homeowner file	Safe Deposit Box
Appraisal	X	
Architectural/construction plans and specifications, including wiring, plumbing, HVAC systems, lighting	X	
Building inspector report	X	
Construction loan disbursements record	X	
Construction loan papers	X	
Costs and receipts for materials and labor from homeowner funds (if different from or in addition to construction loan funds)	X	
Covenants and restrictions	X	
Deed to property	photocopy	original
Environmental audit or inspection reports (radon, well water test, etc.)	X	
Grading and landscaping plans	X	
Hazard insurance policy	photocopy	original
Homeowner or neighborhood association bylaws, dues record	X	
House inspection report	X	
Land purchase offer/sales contract (if purchased at time other than home purchase)	X	
Loan application documents including financial statement	X	
Loan approval/commitment	X	
Loan documents (including mortgage and note)	photocopy	original
Loan repayment schedule (amortization schedule) and coupons	X	
Location of underground utilities (gas, electricity, water, cable TV)	X	
Percolation test report	X	
Pest control/soil treatment records (construction and on-going)	X	

	Location of original document	
	Homeowner file	Safe Deposit Box
Property description/listing	X	
Purchase offer/sales contract	X	
Real estate taxes paid	X	
Record of assessments for improvements	X	
Record of finishing products used (window sizes and measurements, paint brand and color numbers, carpet brand/style/ color number, wallpaper brand/pattern/color, faucet model numbers)	X	
Record of improvements and repairs from previous owners (including date of work, work done, materials used, and costs for materials and labor)	X	
Septic tank location	X	
Survey	photocopy	original
Title examination	X	
Title insurance (homeowner policy)	X	

IMPROVING THE HOME

Many homeowners make improvements in a home as they live in it. Improvements are additional investments of time, energy, and money. Some improvements may add significant permanent value to the home. Therefore it is important to keep records of all improvements. These records will be important in establishing the **cost basis** of the home as well as determining an asking price if the home is sold in the future.

For tax purposes, it is important to understand the difference between improvements and repairs. Internal Revenue Service publication 523 describes **improvements** as "...costs that add to the value of your home, prolong its useful life, or adapt it to new uses. You add the cost of improvements to the basis of your property." It goes on to give examples: "Putting a recreation room in your unfinished basement, adding another bathroom or bedroom, putting up a fence, putting in new plumbing or wiring, putting on a new roof, or paving your driveway are improvements you add to basis."

The tax definition of **repairs** reads "These are costs that maintain your home in good condition. They do not add to its value or prolong its life, and you do not add them to the basis of your property." Examples are: "Repainting your house inside or outside, fixing your gutters or floors, repairing leaks or plastering, and replacing broken window panes... Exception: The entire job is considered an improvement, however, if items that would otherwise be considered repairs are done as part of extensive remodeling or restoration of your home."

The following information on improvements should be kept in the homeowner file.

IMPROVEMENTS/ADDITIONS AFTER PURCHASE

Date completed	Description of Capital Improvement/Addition	Cost (materials, labor; keep all receipts) *
_____	bathroom	\$ _____
_____	basement/attic/garage finished	\$ _____
_____	bedroom	\$ _____
_____	carpeting.....	\$ _____
_____	deck	\$ _____
_____	doors	\$ _____
_____	driveway (new/resurfacing)	\$ _____
_____	energy conservation features	\$ _____
_____	fence	\$ _____
_____	fireplace	\$ _____
_____	garage/carport	\$ _____
_____	heating/air conditioning	\$ _____
_____	insulation	\$ _____
_____	landscaping/yard (shrubby, grading, exterior lighting)	\$ _____
_____	lighting (interior)	\$ _____
_____	moisture problem correction/prevention	\$ _____
_____	new roof.....	\$ _____
_____	patio	\$ _____
_____	pool.....	\$ _____
_____	remodeling	\$ _____
_____	room(s) added	\$ _____
_____	security system.....	\$ _____
_____	shop/hobby space	\$ _____
_____	storage	\$ _____
_____	sidewalk	\$ _____
_____	storm windows/doors	\$ _____
_____	ventilation.....	\$ _____
_____	other _____	\$ _____
_____	_____	\$ _____

*Record labor costs you paid to others. Do not record value of your own labor.

SELLING A HOME

The Internal Revenue Service offers an informative publication for those planning to sell their home. It is Publication 523 "Selling Your Home."

The rules and requirements surrounding a home sale are quite complicated. If you are not a tax expert, you will need to contact a tax professional to help report your sale. Usually homeowners will not have to pay income taxes on the sale of their main or primary residence. Income taxes are paid on any gains on the sale of a second or non-primary residence.

The tax laws allow many opportunities to postpone tax gains if the main or primary home is replaced with another home within a replacement period. However, the taxpayer is required to report the sale of a home on the tax return for the year of sale. It is very important that the reporting be done correctly since the report of the sale is used in establishing the tax basis for the replacement home.

If a home is sold, the costs spent to prepare a house for sale during the 90 days prior to closing a sale are also deductible expenses on the income tax return. Check current tax laws for details and limitations. To claim and prove the deduction(s), adequate supporting documentation must be kept. The following format is suggested.

Date of sale _____

Sale price \$ _____

EXPENSES TO PREPARE HOUSE FOR SALE

(incurred within 90 days before sale; paid within 30 days after sale; itemize; keep receipts)

<u>Date paid</u>	<u>Date work done</u>	<u>Work done</u>	<u>Cost</u>
_____	_____	wallpaper room(s)	\$ _____
_____	_____	paint interior	\$ _____
_____	_____	new towel bars	\$ _____
_____	_____	new den carpet	\$ _____
_____	_____	replace broken light	\$ _____
_____	_____	other: _____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____

SOME INFORMATION ABOUT TAXES

Annual Reporting

Most taxpayers who own their own home (and possibly a second or "non-primary home") need to be able to report the proper annual interest and property tax deductions. In the case of deductible mortgage interest, you will receive an annual report from your lender (Form 1098). In the case of deductible taxes on your main (and possibly second) home(s), you will need to keep copies of your tax receipts. Note that it is possible that a boat or recreation vehicle may qualify as a second home. Keeping tax receipt records can also help the homeowner who prepares a family budget. Prospective buyers of your home may also want to know about real estate taxes on your home.

Homeowners who are using a part of their home for an office must be concerned about some additional reporting needs. The same is true for someone who has experienced losses from a storm, fire, or theft. These events require specific information. Check with your tax professional. If you would like to understand more about

these information needs and their effects, the following Internal Revenue Service publications are free and informative:

Publication 936 "Home Mortgage Interest Deductions"

Publication 587 "Business Use of Your Home"

Publication 530 "Tax Information for Homeowners"

Publication 547 "Nonbusiness, Disasters, Casualties, and Thefts"

Tax laws covering the filing of annual income tax returns change from year to year and may affect which records the homeowner should keep. Tax law changes may also affect which expenses may or may not be included in the "cost basis" of a home. To stay current on applicable laws, check with a tax expert experienced in real estate law.

Cost Basis for Capital Gains Tax Calculation

A home is a major financial investment. Generally speaking in the United States in the past, a well-maintained home has appreciated (increased in value). Like other investments such as stocks, any increase in home value is generally taxed as a **capital asset**, which usually receives more favorable tax treatment than does ordinary income. It is to the homeowner's financial advantage to pay the lowest tax allowed by law. To do so requires keeping a record of all costs related to the home during the ownership period.

A review of current tax publications gives details of what kinds of information and records are needed to establish and prove cost basis. The basis in your home is determined by how you acquired it. Your basis is its cost if you bought it or built it. It is the amount you paid for it in cash or other property. It includes, for example, commissions paid to real estate agents; attorney or legal fees; title insurance; home inspection fees; advertising costs; all permits, materials, and labor costs if new construction; architect's fees; utility meters and connection charges. If you contracted to have your house built on land you own, your original basis is the cost of the land plus the amount it cost you to complete the house. If you built all or part of the house yourself, its original basis is the total amount it cost you to complete it. Do not include the value of your own labor or any other labor you did not pay for in the cost of the house.

If you acquired the house in some way other than buying or building it, its basis is either its fair market value when you received it or the adjusted basis of the person from whom you received it.

While owning your home, you may have made adjustments (increases or decreases) to the basis. This adjusted basis is used to figure gain or loss on the sale of the home.

Adjusted Basis

Adjusted basis is your original basis **increased or decreased** by certain amounts.

Increases to basis include:

- 1) Improvements
- 2) Additions
- 3) Special assessments for local improvements
- 4) Amounts spent after a casualty to restore damaged property

Decreases to basis include:

- 1) Gain from the sale of your old home on which tax was postponed
- 2) Insurance reimbursements for casualty losses
- 3) Deductible casualty losses not covered by insurance
- 4) Payments received for easement or right-of-way granted
- 5) Depreciation allowed or allowable if you used your home for business or rental purposes

6) Residential energy credit (generally allowed from 1977 through 1987) claimed for the cost of energy improvements that you added to the basis of your home

No effect on basis. Items that you **cannot** deduct from, or add to, your basis include:

- 1) Certain settlement fees or closing costs. These include:
 - *Points or loan origination fees that are not deductible as interest
 - *Fire insurance premiums
 - *Mortgage insurance premiums
 - *Rent for occupancy of the house before closing
 - *Charges for utilities or other services relating to occupancy of the house before closing
- 2) The cost of repairs
- 3) Any item that you deducted as a moving expense

Internal Revenue Service publications address what records must be kept. You should keep records of your home's purchase price and purchase expenses. You should also save receipts and other records for all improvements, additions, and other items that affect the basis of your home. This includes any Form 2119 that you filed to report postponement of gain from the sale of a previous home.

Ordinarily, you must keep records for 3 years after the due date for filing your return for the tax year in which you sold, or otherwise disposed of, your home. But if you use the basis of your old home in figuring the basis of your new one, such as when you sell your old home and postpone tax on any gain, you should keep those records longer. Keep those records as long as they are needed for tax purposes. Further detail and examples are included in the Internal Revenue Service publication 523 "Selling Your Home."

A suggested format for recording improvements information is found earlier in this publication in the section titled "Improving the Home."

If several homes are purchased and sold over a period of years, all such records on each house should be kept. Under current tax law, the capital gains on a home sold (any dollar amount greater than the cumulative costs to purchase and improve the home during the ownership period) are taxable if not applied to purchase or building another home within a specified time period.

Record the following information on **each** residence owned, including those owned before purchasing the current residence.

INFORMATION FOR COST BASIS

	Home 1	Home 2	Home 3
Sale price	\$ _____	\$ _____	\$ _____
Date sold (month, day, year)	_____	_____	_____
Adjusted basis of home	\$ _____	\$ _____	\$ _____
Sales commission paid	\$ _____	\$ _____	\$ _____

	Home 1	Home 2	Home 3
Other expenses of sale (itemize)			
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Date you moved into new home (month, day, year)

_____	_____	_____
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Cost of new home

\$ _____	\$ _____	\$ _____
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RECORDS FOR OPERATION, MAINTENANCE, AND REPAIR

A home is a complex combination of systems and materials. To keep all the parts in good condition and operating properly requires varying amounts of time, energy, and money. In addition, a great deal of knowledge of the parts of the home and how they function is required. This knowledge can be on the part of the homeowners who learn how and do home maintenance and repair themselves or can be knowledgeable service people the homeowner hires to do those tasks.

HOME SERVICE INFORMATION

A record of work done on your home by service companies will prove helpful over the life of the system. It provides a picture of system performance or nonperformance which may be helpful in diagnosing problems and identifying causes and corrective actions needed. It provides documentation needed to support warranty claims for the equipment as well as for service work completed. The information can also be helpful when the time comes to replace the system with a new unit or materials. A suggested format for recording and keeping this information follows.

For a newly built home, ask the builder for a copy of the construction plans for your file, including floor plan, foundation plan, wiring, plumbing, heating/air conditioning distribution system ducts, and lighting. This can be valuable when doing repair work or making improvements and additions to the home in the future.

HOME SERVICE INFORMATION

Service	Company	Address	Phone & Emergency Phone	Notes
Air Conditioning				
Construction				
Cabinet Installation				
Carpentry				
Doors				

Service	Company	Address	Phone & Emergency Phone	Notes
Remodeling				
Electrical				
Floor Care				
Flooring/Carpet Installation				
Heating				
Insulation				
Landscaping				
Painting				
Patio/Deck/Drive				
Pest Control Inspection and Treatment				
Plumbing				
Roofing				
Windows				
Yard Care				

SAFETY AND EMERGENCY INFORMATION

Safety and emergency information should be available quickly should the need arise. In addition to keeping this information in the homeowner file, the family may wish to post it in an easy to reach location such as near the phone.

SAFETY AND EMERGENCY INFORMATION

	Phone	Address	Notes
Emergency Service	911		
Natural gas company			
Water company			
Electricity supplier			
Sewage			

SHUTOFF/EMERGENCY LOCATIONS

Natural gas _____

Water coming into house _____

Electrical circuit breaker/
fuse box _____

Fire Extinguishers _____

Sewage line cleanout _____

Water heater pressure
release valve _____

Water heater
overflow drain _____

Other: _____

WARRANTY INFORMATION, USE AND CARE MANUALS

When a home is built, many of the products used come with fact sheets, use and care manuals, or other information on the proper installation, use, and care of the product. Many manufacturers stipulate that unless their instructions are followed, any warranty on the product is void. Therefore, three important items to be kept in a home file are installation instructions, use and care manuals, and warranty information.

File this information on each product together with a receipt showing purchase price, date of purchase, and date of installation. A suggested format follows.

WARRANTY INFORMATION

Item	Where Purchased	Purchase Date	Cost	Model #	Serial #
Heating system	_____	_____	\$ _____	_____	_____
Air conditioning	_____	_____	\$ _____	_____	_____
Others:	_____	_____	\$ _____	_____	_____
_____	_____	_____	\$ _____	_____	_____
_____	_____	_____	\$ _____	_____	_____

When an existing home is purchased, use and care manuals and warranty information may or may not be in the home. If it isn't, the buyer may want to obtain this information from a local retailer who sells the same product, or request the information from the manufacturers. Knowing how to properly operate the heating/cooling/air conditioning system, plumbing, electrical, and other systems can help assure the expected number of years of service from each product. In addition it can minimize repair and replacement expense, and provide maximum comfort and convenience for the occupants.

When the home is sold, leave a folder of this information as a welcome gift for the new owner. Leave similar information on the appliances in the home.

A record of monthly utility bills for the time you owned the home may be helpful in selling the home, especially if the home is energy efficient. Low utility costs mean more of the household budget can go for the house payment or other family expenses. Low utility costs may also enable the buyer to obtain an "energy efficient mortgage" from a lender. This means a lender may approve a larger mortgage amount than usual for the family's income. If less of the household budget is required for utilities more income is available for the mortgage payment or other household expenses. In effect, it may enable the buyer to purchase a more expensive home than they would qualify for in a non-energy efficient home. The Extension publication EC 676 *How Much House Can You Afford* provides helpful information on determining an affordable price range for a home.

HOME APPLIANCE DATA FILE

Most homes include a number of home appliances, both major and small. Appliances vary not only in purchase price but also in average life expectancy. A record of appliance information can be of value when trying to decide whether to repair an appliance or replace it. Replacing appliances can be a major financial cost even when planned for and budgeted. Unexpected repairs or replacement can also be a major expense as well as an inconvenience. Appliance records and regular maintenance can help the homeowner avoid unexpected surprises and budget for repair and replacement expenses. The following outline of appliance information is suggested.

HOME APPLIANCE INFORMATION FILE

Name of Appliance	Brand	Where Purchased	Date of Purchase	Warranty		Service Calls	
				Date	Service	Date	Cost
Major Appliances							\$
Central vacuum							
Cooktop							
Dishwasher							
Dryer							
Freezer							
Microwave oven							
Oven(s)							
Range							

HOME APPLIANCE INFORMATION FILE

Name of Appliance	Brand	Where Purchased	Date of Purchase	Warranty		Service Calls	
				Date	Service	Date	Cost
Major Appliances Continued							\$
Security system							
Trash compactor							
Washer							
Water conditioner							
Water heater							
Window air conditioner							
Small Appliances							
Answering machine							
Blender							
Broiler							
Coffee maker							
Compact disc player							
Computer							
Dehumidifier							
Fire extinguishers							
Food disposal							
Food processor							
Fry pan							
Humidifier							
Intercom							
Iron							
Mixer							
Radio							
Roaster oven							
Slow cooker							
Smoke detectors							
Space heater							
Stereo							
Telephone system							

HOME APPLIANCE INFORMATION FILE

Name of Appliance	Brand	Where Purchased	Date of Purchase	Warranty		Service Calls	
				Date	Service	Date	Cost
Small Appliances Continued							\$
Television							
Toaster							
Vacuum cleaner—canister							
Vacuum cleaner—upright							
VCR							
Others:							

Be sure to keep the bill of sale or receipt for each item, as well as a copy of the retailer and/or manufacturer warranty. Also keep documentation of warranty work done. When a product is discarded or replaced, discard records related to that product.

SUMMARY

Home ownership is a goal of many people. It requires a major investment of time, energy and money—both to obtain as well as to maintain. Keeping an organized file of important home records can help make home ownership more enjoyable and satisfying.

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