



# MONEYWISE

VALUING PEOPLE. VALUING MONEY.

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## THIS MONTH'S TOPIC: SMART HOMES, BRILLIANT SAVINGS

As technology continues to advance and become a larger part of our everyday lives, our homes are no exception. Smart home technology, such as smart lighting, thermostats, and security systems, is more common than ever before. Such technology can help you save time, energy, and money. Smart home technology can even affect tax value or credits, particularly if it adds value as a home improvement, increases the energy efficiency of your home, or protects an in-home business.

### HOME IMPROVEMENTS

Installing smart home technology may be considered a home improvement if it will remain in the home should you sell the property. According to the IRS, home improvements can increase the financial investment if it adds value to the home, extends the life of the home, or adapts the home to new uses. The technology must have an expected lifespan of longer than one year to be considered a home improvement.

Smart home technology can also be considered a home improvement if it is part of a larger remodeling project that will add value to the home, or if it helps to restore it after damage. Home improvements — including “smart” additions — are generally not tax deductible. But the money spent on improvements is added to the property costs for the home. When the home is sold, expenses for major improvements decrease the amount of money the seller is taxed.



### ENERGY EFFICIENCY

Not all smart home technology is energy efficient, but the two often go hand-in-hand when it comes to regulating your home’s temperature. When any of the heating, ventilation, and air conditioning (HVAC) systems in your home need replacing, consider energy-efficient options. To find out if the replacement will qualify for a tax credit, check the Manufacturer Certification Statement to ensure it is labeled as ENERGY STAR Most Efficient. Next, consider upgrading your thermostat to a smart thermostat that allows you more control over when your HVAC systems are running.

For example, smart thermostats can often be controlled through a smart phone app or



## SMART HOME TECHNOLOGY CAN ALSO BE CONSIDERED A HOME IMPROVEMENT



programmed so that the HVAC systems only run while someone is home. Smart thermostats may not provide a tax credit on their own; however, combined with the tax credits offered for energy efficient HVAC systems, you can still save several hundred dollars. To learn more, visit: [https://www.energystar.gov/about/federal\\_tax\\_credits](https://www.energystar.gov/about/federal_tax_credits). Combining the technologies could also help you save monthly on heating and cooling costs.

### IN-HOME BUSINESS

Smart home technology that is used for business purposes can qualify for an in-home business tax deduction. There must be a dedicated office space in your home that is used regularly and exclusively for the business. Additionally, only small business owners, farmers, home day cares, and self-employed individuals are eligible. (Unfortunately, working remotely does not qualify.) If you fall under one of the eligible categories, save your receipts. Smart home technology, such as virtual assistants and security systems, can be deducted from your taxes if they are necessary or beneficial to your business operations.

### TAX ASSISTANCE

Determining tax credits and deductions can be tricky, but there are resources available to help. Many companies will assist with your taxes for a fee. But the IRS and the Kentucky Department of Revenue provide guidance, answer questions, and allow you to file your taxes for free. If you cannot find the information you need at <https://www.irs.gov/> or <https://revenue.ky.gov/>, you can visit your local Kentucky IRS office. Find your nearest location at <https://www.irs.gov/help/contact-my-local-office-in-kentucky>. Appointments and government-issued identification are required. Not all services are available at every IRS office so call ahead to ensure your local office can meet your needs.

### REFERENCES:

<https://energystar-mesa.force.com/ENERGYSTAR/s/article/What-tax-credits-are-available-1600088465189>  
[https://www.energystar.gov/about/federal\\_tax\\_credits/non\\_business\\_energy\\_property\\_tax\\_credits](https://www.energystar.gov/about/federal_tax_credits/non_business_energy_property_tax_credits)  
<https://www.irs.gov/newsroom/home-office-deduction-benefits-small-business-owners>

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