



Montgomery County, Maryland
**MODERATELY PRICED
DWELLING UNIT (MPDU) PROGRAM**

Website: www.montgomerycountymd.gov/mpdu



**MDPU Shared Profit Calculation AFTER the Control Period
Calculating Credits for Home Improvements to MPDUs**

This information sheet is a guide to how home improvements are calculated in the MPDU program when determining the shared profit owed to Montgomery County for MPDUs being sold for the first time after the MPDU control period has ended. For MPDUs that were initially sold by the builder through the MPDU program after March 20, 1989, the owner may sell the MPDU on the open market for a fair market price once the applicable control period has expired (10 or 30 years depending on when the development was built). When doing so, the owner must pay one-half of the excess profit to Montgomery County. The excess, or shared, profit, is the amount of appreciation in the value of the MPDU that exceeds the owner's initial purchase price plus:

- an allowance for the increase in inflation, based on the difference in the Consumer Price Index (CPI-U) from when the MPDU was purchased and when it was put on the market,
- a credit for allowable improvements (more detailed information is provided below)
- the real estate commission (up to 6%) of the sales price
- one-half of the applicable transfer taxes and one-half of the recordation charges, up to a limit of 1.1% of the sales price.

In order to be an allowable credit to the homeowner, improvements must be permanent in nature and clearly add to the market value of the house or property. Normal owner maintenance, general repair work, and decorative items or work will not be included in the resale price. See Exhibits A and B, attached for examples of what can and what cannot be accepted as an allowed improvement.

The value of the improvements is based on documentation submitted by the MPDU owner and is the total of the actual and reasonable costs of materials, professional fees, contractor's costs, and permit fees associated with furnishing and installing improvements. The MPDU Program will not include reimbursement for the value of labor performed by the owner, or for the purchase of tools and equipment used by the owner to install the improvements.

Please note that where there is evidence of physical deterioration, abnormal wear and tear, or obsolescence because of neglect, abuse, or insufficient maintenance, the value allowed for the improvements may be reduced to account for the depreciation. The MPDU Program reserves the right to inspect the MPDU to verify the existence and value of any improvements that are being claimed by the owner.

Acceptable Documentation

The following documentation is *acceptable* as proof of payment for improvements made:

- store receipts (please highlight the items)
- cancelled checks with documentation showing the items(s) purchased or the work performed.
- signed company **PAID** invoices.
- credit card statements if it details the item(s) purchased (please highlight the item service for which credit is claimed)

The MPDU Office will reject any documentation that does not meet these requirements.

Other documents are *not valid*, such as:

- proposals,
- estimates,
- photographs,
- invoices that do not show payment, documents that are not readable, or checks that are not cancelled.

If an MPDU owner pays with cash, the contractor must give the owner cash receipt.

Credit is NOT given for an owner's labor on improvements.

EXHIBIT A

IMPROVEMENTS ALLOWED

MPDU owners are advised to check with the MPDU Office if they have a question on the eligibility of an improvement *prior* to its installation to confirm if the improvement will be credited. MPDU owners must save all receipts for improvements and submit copies of the receipts to the MPDU Office with the MPDU owner's written request for a resale price or shared profit calculation.

Receipts provided must:

- Be readable;
- Document one or more of the items on the following list of allowed improvements.
- Show the improvements have been paid for (**proposals for work to be done are not acceptable verification that payment has been made to the contractor**);
- List the work done; and
- Break out the costs for each item.

Owners must submit a copy of the building permit for all improvements requiring permits.

The following improvements are normally considered to be of a permanent nature: and not cosmetic, therefore they costs may be credited to the owner:

1. Completion of unfinished areas into finished living areas (but not for conversion of a garage into a living area) and completion of new construction such as room additions, carports, garages, and storage sheds. This type of work normally requires a building permit.
2. Patios, porches, and decks. This type of work normally requires a building permit.
3. Landscaping up to a maximum of \$800 – including additional shrubs or trees, retaining walls.
4. Fireplaces. This work typically requires a building permit.
5. Storm window and/or doors.
6. Perimeter fencing of yard. This work typically requires a building permit.
7. Up to 50% of the cost of replacing an existing heating and air condition system. This work requires an installation permit that must be submitted as well.
8. Handicapped accessibility improvements (not subject to the 10% cap).
9. Installation of tile or hardwood flooring in areas that were previously carpeted.
10. Timer thermostat for heating/air conditioning systems.
11. Dishwashers, disposals, washers, dryers, refrigerator and other **built-in** appliances, if not originally installed in the MPDU (depreciated over 10 years).
12. Permanently installed humidifiers (depreciated).
13. Exhaust, attic, & ceiling fans.
14. Large water heaters (difference in value from replaced heater).

EXHIBIT B
IMPROVEMENTS NOT ELIGIBLE FOR CREDIT

The following items are normally considered to be non-permanent, or cosmetic improvements, and will not add to the resale price of the MPDU. Credit is not given for work or materials that are considered part of routine maintenance of the MPDU, are an owner's personal preference, or for luxury items. The list below shows improvements for which credit will not be given. Staff will also deny requests for other luxury, cosmetic, or non-permanent items.

Credit is NOT given for an owner's labor on improvements.

1. Conversion of existing finished area to another use (i.e. conversion of a bedroom to a recreation room). Credit will not be given for converting a garage to living space and owners must check with their homeowner's association before starting this type of work.
2. Siding maintenance.
3. Roof maintenance.
4. Routine maintenance or aesthetic remodels including: replacing or repairing existing kitchen cabinets and bathroom vanities and bathtubs, replacing or repairing window or doors, replacing hot water heaters, replacing or repairing existing fixtures such as cabinets, toilets and sinks, towel racks and other bathroom and kitchen accessories.
5. Interior or exterior painting and wallpaper or paneling on previously finished walls or ceilings.
6. Additional or replacement light fixtures.
7. Closet organizers and shelving (permanently attached or removable).
8. Replacement of windowpanes.
9. Window air conditioners.
10. Portable fixtures such as humidifiers, countertop microwaves, heaters, or window air conditioners.
11. Electronic security systems.
12. Smoke detector.
13. Improvements without receipts or with back up documentation that is not specific or does not provide a line-item description.

**CALCULATION OF IMPROVEMENTS CREDIT REQUEST FORM
FOR MPDUS THAT WERE FIRST PURCHASED AFTER MARCH 20, 1989
WITH EXPIRED CONTROLS**

Date: _____

MPDU Program
ATTN: Resales
1401 Rockville Pike, 4th Floor
Rockville, MD 20852
Email: MPDU.RESALES@montgomerycountymd.gov

Dear MPDU Staff:

I am writing this letter to request credit for the attached improvements to my MPDU for the following purpose (check one):

- ☐ SHARED PROFIT CALCULATION ☐ REFINANCE
☐ HOME EQUITY LOAN OR LINE OF CREDIT ☐ FORECLOSURE
☐ PERSONAL INFORMATION

My home address is _____

I certify that (check one):

- _____ I have made improvements to my home. I have listed the improvements on the next page and provided ***copies*** of receipts, cancelled checks, or other documentation to verify the cost and payment of these improvements.
_____ No improvements were made to my home for which I can receive credit.

If you have any questions regarding this matter, you can contact me during the day at the following phone number: _____ OR email address:

_____.

Sincerely,

PRINT NAME

LIST OF DOCUMENTED MPDU IMPROVEMENTS

Owner Name: _____

Property Address: _____

Improvement	Cost	Proof of Payment?	
		Yes	No
<i>Example:</i> <i>Install new dishwasher (none installed with house)</i>	<i>\$500</i>	<i>X</i>	
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Notes:

Please number each receipt or cancelled check with the same number of the improvement listed above. Circle or highlight the cost, especially when there are several items on the receipt.