



IS DECONSTRUCTION CHEAPER THAN DEMOLITION?

By Tom Plant

When you decide to remodel or rebuild, you have a choice between demolition (sending the house to the landfill), or deconstruction (conserving the materials and donating them to ReSource, the CRC's used building materials program.)

Conventional wisdom holds that deconstruction is more expensive than demolition. However, in addition to the environmental benefits of donating materials from your remodel or deconstruction project to ReSource, there can be a significant financial advantage to deconstruction.

Because ReSource is a 501(c) 3 non-profit, the IRS allows you to deduct the value of the materials you donate from your taxable income. There are a number of ways to approach this, but the most reliable and the only IRS endorsed method is through use of IRS form 8283.

Here's how it works: If the total value of your donation is greater than \$500, you should use form 8283. The form has two parts: Part A if you are assigning a value to the materials yourself and Part B if you are going to hire an appraiser to value the materials. The IRS only requires you to hire an appraiser if an individual item (or a group of similar items) is valued at \$5,000 or more.

The IRS defines similar items as "items of the same generic category or type".

For example, if you donate a refrigerator that has a value of \$8,000 you need an appraiser to verify the value because it is an "item" valued at \$5,000 or more. If you have a complete kitchen cabinet set that you are donating and you believe the value of all of the cabinets combined (a group of similar items) is

\$5,000 or more, then you should hire an appraiser. If the claimed values for separate items (or groups of similar items) is less than \$5,000, you can assign the value yourself and only use Part A of form 8283. As a result, if the refrigerator were valued at \$4,000 and the kitchen cabinets at \$4,000 – you could claim an \$8,000 deduction without having to hire an appraiser.



Deconstruction is the systematic dismantling of a part of all of a building. Instead of the entire structure going to a landfill, reusable and recyclable materials are removed first.

So, how much can you claim as a deduction yourself? It depends on the scope of your project. In a full house deconstruction you may have the following items or generic groups of similar items:

Doors, Windows, Kitchen Cabinets, Flooring, Lighting, Lumber, Refrigerator, Stove, Bathroom Cabinets, Fencing, Masonry & Stone Work, Heating & Cooling Units

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Using this example, if the homeowner were to self-assign values they could claim up to a total of \$60,000 in tax deductions. The actual replacement cost or fair market value of the materials should be considered but, up to \$5,000 for each item, the determination of the value is left to the homeowner. For more information on valuation methods, see IRS Publication 561.

Looking at this example, you can see how deconstruction can be a financially beneficial option. There are numerous individual variables involved, including the donor’s income and the amount of other donations claimed, but if you assume a 35% tax bracket – the tax savings from a \$60,000 tax deductible donation could be as much as \$20,000.

Using the example outlined above, a comparison of the costs of demolition, versus deconstruction and donation to ReSource, shows a savings of \$10,000 to the homeowner who chooses deconstruction:

	Demolition & Disposal	Deconstruction & Salvage
Physical lowering of house	\$6,000	\$18,000
Disposal of trash & debris	\$4,000	\$2,000
Total Costs	\$10,000	\$20,000
Tax Savings	-\$0	-\$20,000
Net Cost	\$10,000	\$0

As with any major financial decision, it is important for you to consult with a financial advisor before choosing to deconstruct or demolish a home, but it is likely that there will be a financial benefit in choosing to deconstruct and donate materials to ReSource over demolition.

It’s truly a win-win situation. In addition to saving money, you’ll feel secure in knowing that you diverted a major amount of waste from the landfill, conserved the energy expended in the construction of the original structure, kept the materials local, and provided a low cost source of reused materials for your community.



Roof joists are removed from a building to be transferred to ReSource in Boulder.



Deconstruction saves lumber from the landfill and prepares it for reuse.



Early 20th century structural beams are transformed into beautiful benches at ReSource Woodworks.