

TAX INCENTIVES AND THE ADA

Three tax incentives for employers involving accessibility of facilities for disabled employees and customers, and for hiring disabled employees. Two are tax credits and one is a tax deduction.

I. SMALL BUSINESS TAX CREDIT

(IRS Code Section 44: Disabled Access Credit)

- **WHO:** Small businesses: those with either revenues of \$1,000,000.00 or less, or 30 or fewer full-time employees are eligible
- **WHAT:** Small businesses may take this annual tax credit for making their businesses accessible to disabled employees and customers
- Examples of covered expenses:
 - sign language interpreters
 - readers for people with visual impairments
 - purchase of adaptive equipment or modification of equipment
 - production of alternative forms of printed materials (ex: braille, large print, audio tapes)
 - removal of architectural barriers in buildings or vehicles
 - other similar assistive devices (ex: use of a co-worker to assist with certain functions)
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- **WHEN:** This credit is available annually (but businesses may not carry-over expenses from previous years)
- **WHERE:** Businesses can claim this credit on IRS Form 8826
- **HOW MUCH:** The credit is 50 percent of expenditures over \$250, but not to exceed \$10,250 therefore, the maximum benefit is \$5,000.
- The tax credit does not apply to the costs of new construction or for any modifications for buildings placed in service after November 5, 1990.

II. ARCHITECTURAL/TRANSPORTATION TAX DEDUCTION

(IRS Code Section 190: Barrier Removal)

- **WHO:** There are no limitations on the types of businesses eligible for this deduction
- **WHAT:** Any business may take this annual deduction for expenses incurred to remove physical, structural, and transportation barriers for persons with disabilities at the workplace.

- Deductions include:
 - Providing accessible parking spaces, ramps, and curb cuts
 - Providing wheelchair-accessible telephones, water fountains, and restrooms
 - Making walkways at least 48 inches wide
 - Providing accessible entrances to buildings
- **WHEN:** The deduction is available each year to businesses with qualified expenses (but businesses may not carry-over expenses from previous years).
- **WHERE:** Businesses may deduct renovations that comply with applicable standards from their total incomes to establish their taxable incomes.
- **HOW MUCH:** The IRS allows a deduction of up to \$15, 000 per year.

III. WORK OPPORTUNITY TAX CREDIT (WOTC)

- **WHO:** Employers who hire certain targeted low-income groups including vocational rehabilitation (VR) referrals and individuals receiving Supplemental Security Income (SSI)
 - VR referrals must be certified by the State Employment Security Agency (SESA)
- **WHAT:** Eligible employers may take this tax credit.
- **WHEN:** This program is subject to yearly Congressional renewal (and to date has not been extended past December 31, 2001 but that is expected to be renewed retroactively).
- **WHERE:** To file for this credit, employers must submit IRS Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits, to their local SESA.
- **HOW MUCH:** An employer may take a tax credit of up to 40 percent of the first \$6,000 in first year wages per qualifying employee, with a maximum of up to \$2,400. The credit applies only to employees who worked at least 400 hours during the tax year. Additionally, it applies to summer youth employees with a maximum credit of \$1,200 (or 40 percent of the first \$3,000 in first year wages).