BUSINESS TAX CREDITS & DEDUCTIONS FOR EMPLOYMENT OF PEOPLE WITH DISABILITIES

There are three tax incentives available to help employers cover accommodation costs for employees and/or customers with disabilities to make their business environment accessible for these individuals.

ARCHITECTURAL/TRANSPORTATION

TAX DEDUCTION:

IR Code Section 190, Barrier Removal

What is it? Businesses may take an annual deduction for expenses incurred to remove physical, structural, and transportation barriers for persons with disabilities.

Who is eligible? All businesses are eligible.

What expenses are covered? The architectural/transportation deduction is available each year to businesses with qualified expenses. It can be used for a variety of costs to make a facility or public transportation vehicle, owned or leased for use in the business, more accessible to and usable by persons with disabilities. Examples of deductions include:

- providing accessible parking spaces, ramps, and curb cuts;
- providing telephones, water fountains, and restrooms that are accessible to persons using wheelchairs;
- making walkways at least 48 inches wide; and/or
- providing accessible entrances to buildings, including stairs and floors.

What expenses are NOT covered? The deduction may not be used for expenses incurred for new construction, completion of renovation being done to a facility or public transportation vehicle, or for normal replacement of depreciable property.

What is the amount of tax deduction? The Internal Revenue Service (IRS) allows a deduction of up to $15,000 per year for qualified architectural and transportation barrier removal expenses.

How can this expenditure be deducted? Businesses seeking to take a deduction for expenditures made for architectural and transportation modifications should follow the instructions found in IRS Publication 907 and in IRS Publication 535, entitled: Business Expenses. It is important to note that businesses may not take a deduction and a tax credit on the same expenditure.

SALARY/COMPENSATION

TAX CREDIT:

IR Code Section 44, Disabled Access Credit

What is it? Small businesses may take an annual tax credit for making their businesses accessible to persons with disabilities. The total disabled access tax credits taken in 1996 on corporate income tax returns by all industries totaled $11,865,000 (IRS 1996 Statistics of Income Report, 1999).

Who is eligible? Small businesses that in the previous year earned $1 million or less in gross receipts or had 30 or fewer full-time employees are eligible for the Small Business Tax Credit.

What expenses are covered? The tax credit is available every year and can be used for a variety of costs such as:

- sign language interpreters for employees/customers who have hearing impairments;
- readers for employees/customers with visual impairments;
- the purchase of adaptive equipment or the modification of equipment;
- printed materials in alternate formats (e.g., braille, audio tape, large print);
- the removal of architectural barriers in buildings or vehicles; and
- other similar services (i.e., use of a job coach or a co-worker to provide support to an employee with a disability).

What expenses are NOT covered? The tax credit does not apply to the costs of new construction, and a building being modified must have been placed in service before November 6, 1990.

What is the amount of the tax credit? The credit is 50% of expenditures over $250, but not to exceed $10,250, for a maximum benefit of $5,000.

How can this tax credit be claimed? Businesses can claim the Disabled Access Credit on IRS Form 8826.
What are the minimum employment requirements? A partial credit of 25% for certified employees who worked at least 120 hours, but less than 400 hours, may be claimed by the employer during a one year period. No credit is available for employees who work less than 120 hours.

How do I claim the credit? Complete and submit IRS Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits, to your local SESA. Do not submit this form to the IRS.

How does it work? The following steps should be followed.

- The employer determines likely eligibility by including the WOTC Pre-Screening Notice as part of the application process.
- On or before the day employment is offered, the Pre-Screening Notice must be signed by the employer and employee and mailed to the SESA within 21 days after the employee beings work.
- The employer documents eligibility (based on information received from the employee) and submits documentation to the SESA.
- SESA certifies which individuals are eligible for WOTC, and notifies the employer in writing for purposes of filing the tax credit.

FOR FURTHER INFORMATION CONTACT YOUR ACCOUNTANT

3. For statistical information: (202) 874-0410 or write, Director, Statistics of Income division, CP:R:S, IRS, P.O. Box 2608, Washington, D.C. 20213-2608
4. WOTC web site address is: www.doleta.gov/business/incentives/opptax/ or call (202) 219-9092