

Federal Business Tax Credits/Deductions for Employing People with Disabilities: Covering Accommodations and Accessibility Costs¹

1. Architectural/Transportation Tax Deduction (IR Code Section 190, Barrier Removal)

All businesses are eligible for an annual tax deduction of up to \$15,000 for qualified expenses incurred in removing physical, structural, and transportation barriers for persons with disabilities; however, it may not be used for expenses incurred for new construction, renovations, or for normal replacement of depreciable property.

To claim this deduction, follow the instructions found in IRS Publication 907 and in IRS Publication 535, entitled: Business Expenses.² Examples of deductions include:

- Providing accessible building entrances, parking spaces, and curb cuts;
- Making walkways at least 48 inches wide;
- Making a public transportation vehicle, owned or leased for use in the business, more accessible to and usable by persons with disabilities.

2. Small Business Tax Credit (IR Code Section 44, Disabled Access Credit)

Small businesses that in the previous year earned \$1 million or less in gross receipts and/or had 30 or fewer full-time employees working at least 30 hours per week for at least 20 weeks a year or more are eligible to take an annual Small Business Tax Credit to mitigate the costs of making their business accessible to persons with disabilities. The credit is 50% of expenditures over \$250, but may not exceed \$10,250, for a maximum benefit of \$5,000. The credit does not apply to new construction costs or modifications to buildings that had been placed in service after November 5, 1990.

¹ <https://www.irs.gov/businesses/small-businesses-self-employed/tax-benefits-for-businesses-who-have-employees-with-disabilities>

² It is important to note that businesses may not take a deduction and a tax credit on the same expenditure

----- *Example of Using a Disabled Access Tax Credit* -----

A co-worker who is paid \$10/hour was assigned to support a new employee with a disability as a workplace accommodation. The number of co-worker hours spent with the employee totaled 200 hours during the calendar year. Therefore, the cost of providing the accommodation was \$2,000. This amount exceeds \$250 by \$1,750. Fifty percent of this amount can be claimed as a tax credit of \$875.

Businesses can claim the Disabled Access Credit on IRS Form 8826. Examples of covered expenses include:

- Sign language interpreters for employees/customers with hearing impairments;
- Use of a job coach or co-workers to provide support to an employee with a disability;
- Barrier removal that prevents a business from being accessible to, or usable by, individuals with disabilities.

3. Work Opportunity Tax Credit* (WOTC)³

This program provides a tax credit for employers who hire individuals from certain targeted groups including: low-income, vocational rehabilitation referrals, former AFDC⁴ recipients, veterans, ex-felons, and food stamp, SSI,⁵ or TANF⁶ recipients. Employers can earn a tax credit of between \$1,200 and \$9,600 per employee, depending upon the target group of the new employee and the number of hours worked in the first year. The credit may be taken for up to 40% of the first \$6,000 in first year wages per qualifying employee for a maximum credit of \$2,400 in a tax year. For the full credit, the employee must have worked at least 400 hours during the tax year for which the credit is claimed. For employees who worked less than 400 hours but at least 120 hours, a partial credit of 25% may be claimed during a one year period. There is no limit on the number of qualified individuals an employer can hire to claim the tax credit.

To claim this credit, the employer must:

- Have the employee sign prior to or on the date of hire IRS form 8850, a Pre-Screening Notice and Certification Request for the WOTC, which certifies the employee is qualified.
- IRS Form 8850 and ETA form 9061 (Individual Characteristics Form) or 9062 (Conditional Certification Form) must then be submitted to the local state WOTC coordinator⁷ within 28 days of the employee's start date.
- The WOTC coordinator certifies which individuals are eligible for WOTC and notifies the employer in writing for purposes of filing the tax credit.

³ https://www.doleta.gov/business/incentives/opptax/PDF/employers_wotc_program_brochure_5_24_12.pdf

⁴ Aid to Families with Dependent Children

⁵ Social Security's Supplemental Security Income

⁶ Temporary Assistance to Needy Families

⁷ For a directory of WOTC state coordinators visit www.doleta.gov/business/incentives/opptax/State_Contacts.cfm

February 2017 | Morrison Institute for Public Policy, Arizona's premier think tank, was established in 1982. An Arizona State University resource, Morrison Institute utilizes nonpartisan research, analysis, polling and public dialogue to examine critical state and regional issues. Morrison Institute provides data- and evidence-based review to help improve the state and region's quality of life. Morrison Institute is part of the ASU College of Public Service and Community Solutions.

MorrisonInstitute.asu.edu