

EARN's GUIDE TO TAX INCENTIVES FOR HIRING PEOPLE WITH DISABILITIES

This information is intended as a review of general information. Businesses and organizations intending to use tax incentives should contact their tax advisor before claiming these credits and deductions.

Businesses have tax incentives available to offset costs associated with recruiting, hiring and accommodating people with disabilities. However, there are still many employers who are not aware of these tax credits and, as a result, do not take advantage of them. A General Accounting Office report found that few businesses apply for tax credits and those that do tend to be large companies. The reasons for low participation are not fully understood but lack of awareness, especially among smaller businesses, appears to be a significant factor. This article reviews information on three federal tax incentives available to business hiring and accommodating people with disabilities: the Architectural/Transportation Tax Deduction (IR Code Section 190, Barrier Removal), the Small Business Tax Credit (IR Code Section 44, disabled Access Credit), and the Work Opportunity Tax Credit. Some states offer additional tax incentives for hiring and accommodating people with disabilities and you can check with your state Comptroller or Department of Labor for more information.

The Architectural/Transportation Tax Deduction: IRS Code Section 190, Barrier Removal

Businesses of all sizes may take an annual deduction for expenses incurred to remove barriers for people with disabilities in the workplace. Up to \$15,000 each year can be used for a tax deduction for expenses incurred to remove barriers for people with disabilities. Barrier removals may benefit business employees or the general public.

What's Covered?

The deduction can be used for offsetting costs associated with improving accessibility. Some examples of costs that can be deducted are:

- Making company vans wheelchair accessible
- Equipping company vehicles with hand controls
- Providing accessible telephones, water fountains, and restrooms
- Widening walkways or making entry ways accessible

What's Not Covered?

The tax deduction cannot be used for expenses related to new construction, complete renovation, or normal replacement of depreciable equipment. It cannot be used for the same expense covered by another tax credit although it can be used in conjunction with the Small Business Tax Credit. For example, if a business qualifying for both tax incentives spent \$12,000 for qualifying access adaptations, it would qualify for a \$5,000 tax credit and a \$7,000 tax deduction. Anything spent over the tax credit and tax deduction cannot be carried over to the next year.

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Resources on Architectural/Transportation Tax Deduction

- IRS Office of Associate Counsel Passthrough & Special Industries – 202-622-3120 (voice)
- [Simple overview and FAQ of the Tax Deduction to Remove Architectural and Transportation Barriers to People With Disabilities and Elderly Individuals](#)
- [Tax Incentives Packet on the Americans with Disabilities Act \(ADA\)](#)

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

Businesses earning \$1 million or less with 30 or less employees may take an annual tax credit for a maximum amount of \$5,000 to help make their products and services accessible to people with disabilities. Examples of covered expenses include costs for sign language interpreters, alternative formatting, job coaches, assistive technology, and architectural modifications. Businesses cannot take the Architectural/Transportation Tax Deduction and the Small Business Tax Credit. For more information, follow the instructions for [IRS Form 8826](#) (PDF).

The Work Opportunity Tax Credits (WOTC)

Employers can earn up to \$2,400 a year per qualifying hire through the WOTC programs. The WOTC replaced the Targeted Jobs Tax Credit (TJTC) as a credit for employers hiring people from targeted groups. The targeted groups are: family members receiving TANF, qualified veterans, vocational rehabilitation referrals, summer youth employees from empowerment zones, food stamp recipients, SSI recipients, qualified ex-veteran, New York Liberty Zone Business Employees, and certain high risk youths. There is no limit on the number of new hires who can qualify for the tax credit.

How Can Employers Take Advantage of WOTC?

Employers and job applicants jointly must complete the brief two-page IRS Form 8850 with supporting documentation and submit it to their state employment security agency (SESA) for certification. The supporting documentation needed is the Conditional Certification form (ETA 9062) or the Individual Characteristic Form (ETA 9061) if they did not receive the Conditional Certification from a participating agency. Examples of participating agencies are state vocational rehabilitation agencies, and the Veteran's Administration. The forms must be completed prior to or no later than the 28th day after of the job applicant begins work. [Visit the IRS Instructions for Employers page](#) for further more information and to obtain the forms.

SESA will review the documentation and certify the job applicant for the tax credit and notify the employer. The applicant must work 400 hours during the tax year in order for the employer to claim the tax credit. A partial credit of 25percent of first year wages is available for employees working at least 120 hours during the year. A maximum credit of \$2,400 or 40 percent of the first \$6,000 in first year income and \$3,000 for summer youth can be taken under WOTC. The employer may file [IRS Form 5884](#) (PDF) to take the credit.