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Quick Facts

August 2019

Business Tax Credit & Deductions for Employment of People with Disabilities

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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 costs incurred to make a facility or a public transportation vehicle which is owned or leased by the business more accessible and usable for individuals with disabilities. Some examples of these deductions include:

- providing accessible parking spaces, ramps, and curb cuts;
- providing accessible telephones, water fountains, and restrooms for individuals using wheelchairs;
- making walkways at least 48 in. 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.

SMALL BUSINESS TAX CREDIT ■ IRS CODE SECTION 44, SMALL BUSINESS TAX 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 (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 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.



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How can this credit be claimed? ■ Businesses can claim the Disabled Access Credit on IRS Form 8826.

Example of a Small Business Disabled Access Tax Credit using Co-work Support ■ Company X hired an individual with a disability; a co-worker was assigned to support the new employee as a workplace accommodation. The co-worker spent a total of one hour each day providing support. The number of co-worker hours spent with the employee totaled 200 hours during the calendar year. The co-worker's hourly wage was \$10.00 per hour. Therefore, the cost of providing the reasonable accommodation for the new employee with a disability was \$2,000. The amount by which \$2,000 exceeds \$250 is \$1,750. Fifty percent of \$1,750 is \$875. Company X may take a tax credit of \$875 on its next income tax return.

WORK OPPORTUNITY TAX CREDIT (WOTC)

Is there new legislation? ■ January 3, 2013 the President signed the American Tax Payer Relief. This extends authorization for all veteran target groups.

What is the WOTC? ■ The Work Opportunity Tax Credit (WOTC), provides a tax credit for employers hiring individuals from certain targeted groups including: low-income, vocational rehabilitation referrals, veterans, ex-felons, SNAP recipients, summer youth employees, SSI recipients, and TANF. The total amount of WOTC taken by all industries in 1996 on corporate income tax returns totaled \$6,896,000 (IRS 1996 Statistics of Income Report, published, 1999).

How does it apply to persons with disabilities? ■ An employer who hires an employee receiving Supplemental Security Income (SSI) or who is a certified vocational rehabilitation (VR) participant may claim the WOTC after certification is received from the State Workforce Agency (SWA).

What is the amount? ■ An employer may take a tax credit of up to 40 percent of the first \$6,000 (or \$9,600 for disabled veterans) in first year wages per qualifying employee. The maximum per employee credit is \$2,400 in a given tax year for employees who work at least 400 hours during the tax year.

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 and form 9061, to your local SWA. Do not submit this form to the IRS.

How does it work? ■

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

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**If you have questions
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RESOURCES

- Office of Associate Council, IRS, Passthrough & Special Industries, 1111 Constitution Avenue, NW, Washington, D.C. 20224, (202) 622-3110.
- IRS web site for information: <https://www.irs.gov/businesses/small-businesses-self-employed/tax-benefits-for-businesses-who-have-employees-with-disabilities>

Fifty percent of funding for this product was provided by the Virginia Board for People with Disabilities under the federal Developmental Disabilities and Bill of Rights Act. For more information on the Board, please contact: Virginia Board for People with Disabilities, 1100 Bank Street, 7th Floor, Richmond, VA 23219, (800) 846-4464, or visit the Board's website -- <https://www.vaboard.org/>