

ADA INFOBRIEF

BUSINESS TAX CREDITS AND DEDUCTIONS FOR EMPLOYMENT OF PEOPLE WITH DISABILITIES

There are two tax incentives available to help employers cover the cost of accommodations for employees and/or customers with disabilities to make their business environment accessible for these individuals.

ARCHITECTURAL/TRANSPORTATION TAX DEDUCTION

IRS Code Section 190, Barrier Removal

What is it? Business may take an annual deduction for Expenses incurred to remove physical, structural and transportation barriers for people with disabilities.

Who is eligible? All businesses are eligible.

What expenses are covered? The architectural/transportation deduction is available each year to businesses with qualifying expenses. It can be used for a variety of costs to make a building or vehicle used to transport an employee or the public which is owned or leased for use by the business more accessible to or useable by people with disabilities. Examples of deductions include:

- ⇒ Providing accessible parking spaces, ramps and curb cuts;
- ⇒ Providing telephones, water fountains and restrooms that are accessible for individuals using wheelchairs;
- ⇒ Making walkways at least 48" wide, and/or providing accessible entrances to buildings including accessible hardware and electric doors;
- ⇒ Installing a lift in a company shuttle bus/vehicle

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 and/or public transportation vehicle or for normal replacement of a depreciable property.

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

How can this expenditure be deducted? Business should follow the instructions found in IRS Publication 907 and in IRS Publication 535, entitled: Business Expenses.

SMALL BUSINESS TAX CREDIT

IRS Code Section 44, Disabled Access Credit

What is it? Small businesses may take an annual tax credit for making their businesses accessible to people with disabilities.

Who is eligible? Small businesses who 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 are deaf or hard of hearing ;
- ⇒ Readers for employees/customers who are blind or visually impaired;
- ⇒ The purchase of adaptive equipment or the modification of existing equipment;
- ⇒ Services of a consultant necessary to evaluate the workplace and/or job task for recommendations;
- ⇒ Production of printed materials in alternative formats (e.g. Braille, Large Print, audio tape, electronic, inc.)
- ⇒ The removal of architectural barriers in buildings or installation of a lift in a vehicle; 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 or for accessibility features that are required as part of a planned renovation of a building or facility.

What is the amount of the deduction? The tax credit is 50% of expenditures over \$250, but not to exceed \$10,250 for a maximum benefit of \$5000 per tax year.

EXAMPLE OF HOW TO APPLY THE SMALL BUSINESS DISABLED TAX CREDIT TO THE COST OF PROVIDING SIGN LANGUAGE INTERPRETERS FOR AN EMPLOYEE:

Company X hired an individual with a disability; the individual is deaf and requires the use of a sign language interpreter during staff meetings, meetings with a supervisor involving discussion of key job tasks, performance and/or disciplinary action. The total number of interpreter hours used during the tax year was 75 hours at the cost of \$50.00 per hour. Therefore, the cost of providing the reasonable accommodation for the employee with a disability was \$3750. The employer can apply the tax credit for the amount spent over \$250 which is \$3500. Fifty percent of \$3500 is \$1750. Therefore, Company X is eligible to take a \$1750 tax credit.

FOR MORE INFORMATION CONTACT YOUR ACCONTANT**TIPS**

- ✓ Consider the use of the tax benefits to offset the cost of an accommodation when determining whether or not an undue financial hardship defense can be made.
- ✓ The tax benefits can be used each year to offset the cost of on-going accommodation needs or for accommodating other employees or customer needs.

***Disclaimer:** This ADA InfoBrief is intended to provide a general overview of how Tax Benefits can be utilized to meet your ADA requirements and should not be considered legal advice. For more details on the IRS Tax benefits, contact the IRS Office serving you.*

RESOURCES

Check out the following *resources* for more detailed information on IRS Tax Benefits:

- ✓ **Internal Revenue Service** web site at www.irs.gov or the IRS Business Service Office at 800-829-4933.
- ✓ **US Department of Justice** has information on their web site regarding the tax credits at www.ada.gov or through their toll free number at 800-541-0301.
- ✓ **Job Accommodation Network**, a free service providing ADA information and individualized accommodations solutions to employers: 800/526-7234; www.jan.wvu.edu.
- ✓ **Great Lakes ADA Center** providing information, training, and technical assistance on the ADA to employers, people with disabilities, and others: 800-949-4232 (V/TTY); www.adagreatlakes.org