

Tax Incentives

DBTAC:
National Network
of ADA Centers
(800) 949-4232 v / tty
www.adata.org

TAX INCENTIVES are available to encourage compliance with the Americans with Disabilities Act (ADA). This chart includes the three Federal tax incentives and encourages you to inquire to see if your state offers similar incentives. Unfortunately, many business owners and employers are unaware that these incentives exist. Make sure your business takes advantage of these valuable incentives!

Name	Code / Form	Eligibility	Purpose / Examples	Amount
Architectural / Transportation Tax Deduction	Code: Section 190, Barrier Removal Forms: 907 & 535	All businesses	Removal of physical, structural, and transportation barriers Ex: widening doors, building ramps, modifying vehicles	Max = \$15,000
Small Business Tax Credit	Code: 44, Disabled Access Credit Form: 8826	Small businesses	Most expenses to comply with the ADA, including barrier removal, providing auxiliary aids/services, and accommodating employees Ex: Providing sign language interpreters, creating Braille documents, building ramps	50% between \$250 & \$10,250 Max = \$5,000
Work Opportunity Tax Credit	Form: 5884	Employers	This credit encourages employment of certain targeted groups, including SSI recipients and vocational rehabilitation referrals	Max = \$2,400
State Tax Credits	States often offer additional tax incentives. Please contact your state tax office or the DBTAC: National Network of ADA Centers to learn more about these state-wide incentives.			

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DID YOU KNOW?

- ▶ A small business is one that has 30 or fewer employees OR \$1,000,000 or less in gross receipts from the previous year.
- ▶ If a credit exceeds the amount of taxes owed, businesses may carry forward the unused portion of the credit to the next year.
- ▶ Small businesses cannot claim a tax credit and deduction for the same dollar spent; however, they can use the incentives in combination, provided that the expenditures incurred qualify under both. *See Example C.*
- ▶ Physical modifications must comply with the applicable accessibility standards (ADA Accessibility Guidelines).

EXAMPLE A, CREDIT: Restaurant ABC employs 25 individuals, and its gross revenue for last year was \$3,000,000. It qualifies as a small business with fewer than 30 employees. Last year, ABC provided Braille and large print menus (an auxiliary aid), costing a total of \$1,500. ABC removed physical barriers to the restaurant's entrance and modified its transportation shuttle, totaling \$8,000. Each of these expenditures qualifies under the Disabled Access Credit. To calculate ABC's tax credit, start by adding the total amount spent on accessibility ($\$8,000 + \$1,500 = \$9,500$) and subtract \$250 ($\$9,500 - \$250 = \$9,250$). Divide this amount by two ($\$9,250 / 2 = \$4,625$) to find the amount redeemable as a tax credit. ABC earned a tax credit of \$4,625.

EXAMPLE B, DEDUCTION: Corporation XYZ removed barriers to its building two years in a row. Although the corporation deducted \$4,000 from its taxes last year, XYZ spent money on an additional barrier removal project this year. This is an annual tax incentive, so XYZ is eligible for another tax deduction. XYZ removed all barriers from its bathrooms this year, which cost \$8,000. XYZ is able to deduct this amount, \$8,000, dollar for dollar, from the amount of money on which it pays taxes.

EXAMPLE C, CREDIT & DEDUCTION: Small business QRS spent \$20,000 on access improvements by modifying their restrooms and front entrance. These expenditures qualify under both the tax credit and deduction, so QRS can use these incentives in combination. QRS may first take a tax credit of \$5,000 (based on \$10,250 of expenditures) and then deduct \$15,000 (the difference between the total expenditures and the amount of the credit claimed).

FOR MORE INFORMATION

- ▶ DBTAC National Network of ADA Centers: Free technical assistance: (800) 949-4232 V/TTY. www.adata.org
- ▶ Internal Revenue Service (IRS): Questions: (800) 829-1040 V; (800) 829-4059 TTY. Legal Questions: (202) 622-3110 V. Publications and forms: (800) 829-3676 V; (800) 829-4059 TTY. www.irs.ustreas.gov/formspubs
- ▶ U.S. Department of Justice (DOJ) Disability Rights Section: Questions: (800) 514-0301 V; (800) 514-0383 TTY. DOJ Tax Packet: www.ada.gov/taxpack.htm

*This document is not intended to provide legal tax advice. Please consult the IRS or your tax advisor.
This is a publication of the DBTAC: Mid-Atlantic ADA Center,
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