



| EMPLOYER TAX INCENTIVES

From The U.S. Equal Employment Opportunity Commission:

Facts About Disability-Related Tax Provisions

The Internal Revenue Code has three disability-related provisions of particular interest to businesses as well as people with disabilities.

TARGETED JOBS TAX CREDIT

(Title 26, Internal Revenue Code, section 51)

Employers are eligible to receive a tax credit up to 40 percent of the first \$6,000 of first-year wages of a new employee with a disability who is referred by state or local vocational rehabilitation agencies, a State Commission on the Blind, or the U.S. Department of Veterans Affairs, and certified by a State Employment Service. There is no credit after the first year of employment. For an employer to qualify for the credit, a worker must have been employed for at least 90 days or have completed at least 120 hours of work for the employer. The previous TJTC program authorization, the result of a six-month extension under the Tax Extension Act of 1991 (Pub.L. 102-227), expired on June 30, 1992. The program has been reauthorized for an additional thirty (30) months by the Omnibus Budget Reconciliation Act of 1993 (Pub.L. 103-06, August 10, 1993, retroactive to July 1, 1992). The re-authorization is effective for employees who begin work for the employer after June 30, 1992.

DISABLED ACCESS TAX CREDIT

(Title 26, Internal Revenue Code, Section 44)

This new tax credit is available to "eligible small businesses" in the amount of 50 percent of "eligible access expenditures" that exceed \$250 but do not exceed \$10,250 for a taxable year. A business may take the credit each year that it makes an eligible access expenditure.

Eligible small businesses are those businesses with either: \$1 million or less in gross receipts for the preceding tax year; or 30 or fewer full-time employees during the preceding tax year.

Eligible access expenditures are amounts paid or incurred by an eligible small business for the purpose of enabling the business to comply with the applicable requirements of the Americans with Disabilities Act (ADA). These include amounts paid or incurred to: remove architectural, communication, physical, or transportation barriers that prevent a business from being accessible to,

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or usable by, individuals with disabilities; provide qualified readers, taped texts, and other effective methods of making materials accessible to people with visual impairments; provide qualified interpreters or other effective methods of making orally delivered materials available to individuals with hearing impairments; acquire or modify equipment or devices for individuals with disabilities; or provide other similar services, modifications, materials or equipment.

Expenditures that are not necessary to accomplish the above purposes are not eligible. Expenses in connection with new construction are not eligible. "Disability" has the same meaning as it does in the ADA. To be eligible for the tax credit, barrier removals or the provision of services, modifications, materials or equipment must meet technical standards of the ADA Accessibility Guidelines where applicable. These standards are incorporated in Department of Justice regulations implementing Title III of the ADA (28 CFR Part 36; 56 CFR 35544, July 26, 1991).

Example: Company A purchases equipment to meet its reasonable accommodation obligation under the ADA for \$8,000. The amount by which \$8,000 exceeds \$250 is \$7,750. Fifty percent of \$7,750 is \$3,875. Company A may take a tax credit in the amount of \$3,875 on its next tax return.

Example: Company B removes a physical barrier in accordance with its reasonable accommodation obligation under the ADA. The barrier removal meets the ADA Accessibility Guidelines. The company spends \$12,000 on this modification. The amount by which \$12,000 exceeds \$250 but not \$10,250 is \$10,000. Fifty percent of \$10,000 is \$5,000. Company B is eligible for a \$5,000 tax credit on its next tax return.

TAX DEDUCTION TO REMOVE ARCHITECTURAL AND TRANSPORTATION BARRIERS TO PEOPLE WITH DISABILITIES AND ELDERLY INDIVIDUALS (Title 26, Internal Revenue Code, section 190)

The IRS allows a deduction up to \$15,000 per year for "qualified architectural and transportation barrier removal expenses." Expenditures to make a facility or public transportation vehicle owned or leased in connection with a trade or business more accessible to, and usable by, individuals who are handicapped or elderly are eligible for the deduction. The definition of a "handicapped individual" is similar to the ADA definition of an "individual with a disability." To be eligible for this deduction, modifications must meet the requirements of standards established by IRS regulations implementing section 190.

IRS Publication No. 907, providing information on these provisions, may be obtained by calling 1-800-829-3676. For further information, contact the Internal Revenue Service, Office of the Chief Counsel, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044, (202) 566-3292 (voice only).