

Gulf Coast  
**Business  
Leadership  
Network**



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## 3 Tax Incentives for Business

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

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

All businesses are eligible to take an annual tax deduction for expenses incurred to remove physical, structural, and transportation barriers for persons with disabilities at the workplace.

Businesses may take a tax deduction of up to \$15,000 a year for expenses incurred to remove barriers for persons with disabilities. Amounts in excess of the \$15,000 maximum annual deduction may be depreciated. The amount spent is subtracted from the total income of a business to establish its taxable income. In order for expenses to be deductible, accessibility standards established under the Section 190 regulations must be met.

The deduction is available every year. It can be used for a variety of costs to make a facility or public transportation vehicle, owned or leased for use in the business, more accessible to and usable by persons with disabilities. Examples include the cost of providing accessible parking spaces, ramps, and curb cuts; OR providing telephones, water fountains, and restrooms which are accessible to persons using wheelchairs; OR making walkways at least 48 inches wide.

The deduction may NOT be used for expenses incurred for new construction, or for a complete renovation of a facility or public transportation vehicle, or for the normal replacement of depreciable property.  
*Reference: Chapter 8 in IRS Publication 535, Business Expenses.*

### Small Business Tax Credit: IRS Code Section 44, Disabled Access Credit

Small businesses that in the previous year earned a maximum of \$1 million in revenue or had 30 or fewer full-time employees are eligible to take an annual tax credit for making their businesses accessible to persons with disabilities. The credit is 50 percent of expenditures over \$250, not to exceed \$10,250, for a maximum benefit of \$5,000. The credit amount is subtracted from the total tax liability after calculating taxes.

The credit is available every year and can be used for a variety of costs such as:

- sign language interpreters for employees or customers who have hearing impairments;
- readers for employees or customers who have visual impairments;
- the purchase of adaptive equipment or the modification of equipment;
- the production of print materials in alternate formats (e.g., braille, audio tape, large print);
- the removal of architectural barriers in buildings or vehicles.

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 5, 1990.

Businesses can claim the Disabled Access Credit on IRS Form 8826.

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**The tax credit and tax deduction together.** Small businesses may use the credit and deduction together, if the expenses incurred qualify under both Sections 44 and 190. For example, if a business spent \$12,000 for access adaptations, it would qualify for a \$5,000 tax credit and a \$7,000 tax deduction. Although both the tax credit and deduction may be used annually, if a business spends more than may be claimed in one year, it cannot carry over those expenses and claim a tax benefit in the next year.

*To obtain additional information: Contact Mark Pitzer, Attorney, Office of Chief Counsel, IRS, 1111 Constitution Avenue, NW, Washington, DC 20224, (202)622-3110.*

## Work Opportunity Tax Credit (WOTC)

The Work Opportunity Tax Credit (WOTC), which replaces the Targeted Jobs Tax Credit (TJTC) program, provides a tax credit for employers who hire certain targeted low-income groups, including vocational rehabilitation referrals, former AFDC recipients, veterans, ex-felons, food stamp recipients, summer youth employees, and SSI recipients.

An employer may take a tax credit of up to 40 percent of the first \$6,000, or up to \$2,400, in wages paid during the first 12 months for each new hire. Eligible employees must work 180 days or 400 hours; summer youth must work 20 days or 120 hours. A partial credit of 25 percent for certified employees who worked at least 120, but less than 400 hours may be claimed by the employer. This program is subject to yearly Congressional renewal and currently is authorized through December 1, 2001.

### How does it work?

- The employer determines likely eligibility by including the WOTC Pre-Screening Notice Form 8850 as part of the application process.
- On or before the day employment is offered, the Pre-Screening Notice must be signed by the employer and employee and mailed to the SESA within 21 days after the employee begins work.
- The employer documents eligibility (based on information received from the employee) and submits documentation to the SESA.
- SESA certifies which individuals are eligible for WOTC, and notifies the employer in writing for purposes of filing the tax credit.

By calling **1-800-695-6879** (a toll-free number), employers and other interested parties can conveniently obtain the required WOTC tax credit request forms from the State Employment Security Agency (SESA). Contact Information: Mr. John Carlson, WOTC Coordinator, TX Workforce Commission, Room 322T, 101E, 15th Street, Austin, TX 78778-0001, 512-463-9926, FAX 512-463-8819, [john.carlson@twc.state.tx.us](mailto:john.carlson@twc.state.tx.us).

Call 1-877-828-2050 to obtain WOTC tax credit forms and tax credit information - fax on demand service.

*For additional information contact: The Gulf Coast Business Leadership Network - 281-474-7887 or E-mail at [gcbln@imagineenterprises.com](mailto:gcbln@imagineenterprises.com)*

*The information for this fact sheet came from the US Department of Labor's Office of Disability Employment Policy. This program promotes best disability employment practices to enhance employment opportunities for job candidates who happen to have disabilities.*