

Communication Access: Tax Incentives for Businesses

Three federal tax benefit and credit programs encourage businesses to make their facilities and programs accessible to people with disabilities. The **Architectural and Transportation Barrier Removal Tax Deduction** allows businesses to take an annual deduction for expenses incurred to remove physical, structural, and transportation barriers for people with disabilities. The **Disabled Access Credit** lets businesses take an annual tax credit for providing specific services and equipment to facilitate access by people with disabilities. Both the tax credit and the tax deduction can be used annually. The **Work Opportunity Tax Credit** gives incentives to employers who hire individuals from targeted groups, including people with disabilities.

Removing Physical, Structural, & Transportation Barriers to Access by People with Disabilities

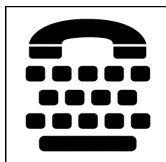
IRS Code Section 190

Businesses of any size that make their facilities more accessible and usable by people who are disabled or elderly can claim as business expense the costs of removing barriers to access, up to \$15,000 in one tax year. Modifications that are relevant to deafness and hearing loss relate to providing accessible telephones, signage, alerts and alarms, and symbols of accessibility. Barrier-removal expenses must meet the guidelines and requirements issued by the Architectural and Transportation Barriers Compliance Board under the Americans with Disabilities Act of 1990 (ADA). See Section 7 of IRS Publication 535: *Costs You Can Deduct or Capitalize*, and look for the item on Barrier Removal Costs.

According to IRS publication, *Headliner* (Vol. 217, 2007), "The Architectural Barrier Removal Tax Deduction encourages businesses of any size to remove architectural and transportation barriers to the mobility of persons with disabilities and the elderly. Businesses may claim a deduction of up to \$15,000 a year for qualified expenses for items that normally must be capitalized. Businesses claim the deduction by listing it as a separate expense on their income tax return. Also, businesses may use the Disabled Tax Credit and the architectural/transportation tax deduction together in the same tax year, if the expenses meet the requirements of both sections."



Install amplified telephones



Install 1 pay TTY for every 4 pay phones

Who Is Eligible for the Deduction?

All businesses are eligible to take an annual Barrier Removal deduction to improve access to people with disabilities. The deduction does not apply to new construction, or to a complete building renovation, or to normal replacement of depreciable property.

How Is the Expenditure Deducted?

The amount spent on accessibility improvements is subtracted from the total income of a business to establish its taxable income. Businesses seeking the deduction should follow the instructions found in IRS Publication 907 and in IRS Publication 535. Accessibility standards established under IRS Section 190 regulations must be met.

Readings:

IRS Publication 907: Tax Highlights for Persons with Disabilities

IRS Publication 535: Business Expenses

Disabled Access Credit for Small Business

IRS Code Section 44

The Disabled Access Credit is available to help employers cover the accommodation costs for employees and customers, and to help make business environments more welcoming to people with disabilities and older people.

The Disabled Access Credit is for 50% of "eligible access expenditures" over \$250 in one year, not to exceed a total of \$10,250 in one year, for an eligible small business. The maximum benefit allowed is \$5,000 in one tax year. The tax credit may be taken every year. Small businesses may use the Disabled Access Credit together with the Barrier Removal deduction, if the

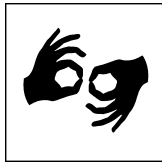


Install Assistive Listening Devices

Example of a Disabled Access Credit Used for Communication Access Costs

To meet its ADA obligations in its public meeting rooms, a company bought an induction-loop assistive listening system, with volume-control headsets for individual users and a central microphone and broadcasting system. The equipment purchases totaled \$8,000. The amount by which \$8,000 exceeds \$250 is \$7,750. Fifty percent of \$7,750 is \$3,875. The company may take a Disabled Access Credit in the amount of \$3,875 on its next tax return.

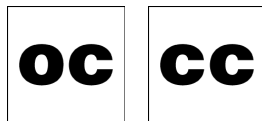
expenses incurred qualify under both Section 190 and Section 44. For example, if a business spent \$12,000 for modifications to improve access to people with disabilities, it could qualify for a \$5,000 tax credit and a \$7,000 tax deduction. Note, however, that the business may not take a deduction and a tax credit on the same expenditure.



Apply credit to sign language interpreter costs

Eligible expenditures under Section 44 are the amounts paid or incurred by an eligible small business that enable it to comply with the requirements of the Americans with Disabilities Act of 1990. Allowable expenditures include:

- ◆ Removing architectural, communication, physical, or transportation barriers that prevent a business from being accessible to or useable by individuals with disabilities,
- ◆ Providing qualified interpreters or other effective methods of making aurally delivered materials available to individuals with hearing impairments,
- ◆ Providing qualified readers, taped texts, and other effective methods of making visually delivered materials available to people with visual impairments,
- ◆ Purchasing adaptive equipment, modifying existing equipment or devices to benefit individuals with disabilities, or
- ◆ Providing other similar services, modifications, materials, or equipment.



Use the credit for the costs of making open- or closed-captioned training videos

Who Is Eligible for the Deduction?

An “eligible small business” is defined as one whose gross receipts for the preceding tax year were \$1 million or less, or one that did not employ more than 30 full-time employees during the preceding tax year.

Example of a Disabled Tax Credit Used by a Small Business

A company hired a person with a disability. As an accommodation, a co-worker was assigned to support the new employee. The co-worker earned \$10 per hour and spent one hour a day providing support. The number of co-worker hours with the disabled employee added up to 200 in one year. Thus, the cost of providing the reasonable accommodation for the disabled employee was \$2,000. The amount by which \$2,000 exceeds \$250 is \$1,750. Fifty percent of \$1,750 is \$875. The company may take a tax credit of \$875 on its next income tax return.

Readings:

- IRS Form 8826:** Disabled Access Credit
- IRS Publication 334:** Tax Guide for Small Business (2007)
- IRS Publication 535:** Business Expenses
- IRS Publication 907:** Tax Highlights for Persons with Disabilities

Work Opportunity Tax Credit (WOTC)

IRS Code Section 44

This credit provides employers with an incentive to hire persons from certain population groups with that have high unemployment rates, or other special needs, such as Vocational Rehabilitation referrals or SSI recipients. WOTC was authorized by the Small Business Job Protection Act of 1996, and reauthorized in 2006. An employer may take a credit of up to 40% of the first \$6,000 in 1st-year wages per qualifying employee. The maximum per-employee credit is \$2,400 in one tax year.



Questions? Ask your tax professional!

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