

ADA Quick Tips - Tax Incentives

More than fifty million Americans with disabilities make up a huge, nearly untapped market for businesses of all types and sizes. To help businesses welcome customers with disabilities, the IRS offers two tax incentives to remove access barriers. Unfortunately, many business owners and employers are unaware that these incentives exist. Make sure your business takes advantage of these valuable incentives!

- **A tax credit for small businesses** who remove access barriers from their facilities, provide accessible transportation services, or take other steps to improve accessibility for customers with disabilities
 - **A tax credit lowers your tax bill dollar for dollar.**
- **A tax deduction for businesses of all sizes** that remove access barriers in their facilities or vehicles
 - **A deduction is a reduction in taxable income.**

A business that annually incurs eligible expenses to bring itself into compliance with the ADA may use these tax incentives every year. The incentives may be applied to a variety of expenditures; however, they may not be applied to the costs of new construction. All barrier removal must comply with applicable Federal accessibility standards.

Tax Credit

Small businesses with 30 or fewer employees or total revenues of \$1 million or less can use the Disabled Access Tax Credit (Internal Revenue Code, Section 44; IRD Form 8826). Eligible small businesses may take a tax credit of up to \$5,000 (half of eligible expenses up to \$10,250, with no credit for the first \$250) to offset their costs for access, including vehicle conversions. A tax credit lowers your tax bill dollar for dollar.

Tax Deduction

Businesses of all sizes may take advantage of this tax deduction. Under Internal Revenue Code, Section 190 (IRS Publication: 535, Chapter7), businesses can take a business expense deduction of up to \$15,000 per year for costs of vehicles. A deduction is a reduction in taxable income.

Tax Incentives in Combination

These two incentives can be used together by eligible businesses if the expenditures qualify under both Sections 44 and 190. If a small business' expenses exceed \$10,250 for the maximum \$5,000 tax credit, then the deduction equals the difference between the total spent and the amount of the credit claimed.

Important Facts

- California Sales Tax does not apply to accessible modifications to vehicles.
- If a credit exceeds the amount of taxes owed, businesses may carry forward the unused portion of the credit to the next year.

For More Information

- ADA National Network: Free technical assistance: (800) 949-4232 V/TTY. www.adata.org
- Internal Revenue Service (IRS): Questions: (800) 829-1040 V; (800) 829-4059 TTY.
- 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. www.ada.gov

This document is not intended to provide legal tax advice. Please consult the IRS or your tax advisor.