

# Tax Incentives for Improving Accessibility

Two tax incentives are available to businesses to help cover the cost of making access improvements. The first is a tax credit that can be used for architectural adaptations, equipment acquisitions, and services such as sign language interpreters. The second is a tax deduction that can be used for architectural or transportation adaptations. *Note that a tax credit is subtracted from your tax liability after you calculate your taxes, while a tax deduction is subtracted from your total income before taxes, to establish your taxable income.*

## Annual Tax Incentives

The tax credit and deduction can be used annually. You may not carry over expenses from one year to the next and claim a credit or deduction for the portion that exceeded the expenditure limit the previous year. However, if the amount of credit you are entitled to exceeds the amount of taxes you owe for a given year, you may carry forward the unused portion of the credit to the following year.

## ADA Tax Credit for Small Businesses

The tax credit, established under Section 44 of the Internal Revenue Code, was created in 1990 specifically to help small businesses cover ADA-related eligible access expenditures. A business that for the previous tax year had either revenues (gross receipts) of \$1,000,000 or less or 30 or fewer full-time workers may take advantage of this credit. An employee is considered full-time if he or she works at least 30 hours a week for 20 or more calendar weeks in the tax year. The credit can be used to cover a variety of expenditures, including:

- Provision of readers for customers or employees with visual disabilities
- Provision of sign language interpreters
- Purchase of adaptive equipment
- Production of accessible formats of printed materials (i.e., Braille, large print, audio tape, computer diskette)
- Removal of architectural barriers in facilities or vehicles (alterations must comply with applicable accessibility standards)
- Fees for consulting services (under certain circumstances)

*Note that the credit cannot be used for the costs of new construction. It can be used only for adaptations to existing facilities that are required to comply with the ADA.*

The amount of the tax credit is equal to 50% of the eligible access expenditures in a year, up to a maximum expenditure of \$10,250. There is no credit for the first \$250 of expenditures. The maximum tax credit, therefore, is \$5,000.

### **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.

\$8,000 cost of access improvements  
- \$250 minimum expenditure for Section 44 tax credit  
\$7,750 in expenditures eligible for Section 44 tax credit formula  
x 50% credit  
\$3,875 eligible tax credit

## **ADA Tax Deduction for Small Businesses**

The tax deduction, established under Section 190 of the Internal Revenue Code, is now a maximum of \$15,000 per year, a reduction from the \$35,000 that was available through December 31, 1990. A business (including active ownership of an apartment building) of any size may use this deduction for the removal of architectural or transportation barriers to disabled patrons. The renovations under Section 190 must comply with applicable accessibility standards. The deduction can be used to cover a variety of expenditures, including:

- Provide accessible parking spaces, ramps, and curb cuts;
- Provide telephones, water fountains, and restrooms which are accessible to persons using wheelchairs; and
- Widening walkways to at least 48 inches wide.

*Note that small businesses can use these incentives in combination if the expenditures incurred qualify under both Section 44 and Section 190.*

### **Example:**

A small business that spends \$20,000 for access adaptations that include the installation of an accessible restroom, the installation of a ramp, and the widening of 3 doorways, may take a maximum tax credit of \$5000 (based on \$10,250 of expenditures), as well as a tax deduction up to \$15,000. The amount available to be deducted from your taxes is equal to the difference between the total expenditures eligible for tax reimbursement and the amount of the tax credit already claimed.

\$20,000 cost of access improvements (rest room, ramp, 3 doors widened)

- \$5,000 maximum credit

\$15,000 remaining for maximum deduction

### **For More Information...**

Request IRS Publications 535 and 334 for further information on tax incentives, or Form 8826 to claim your tax credit.

#### *IRS Publications & Forms*

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#### *Legal Questions*

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