

Employer Incentives for Hiring People with Disabilities: Federal Tax Incentives At-A-Glance

To help employers capitalize on the value and talent that people with disabilities offer America's workplaces, the Federal Government offers a number of tax credits for employers. Overall, these incentives are intended to serve two purposes:

1 To encourage the hiring of individuals with disabilities.

2 To support modifications and accommodations designed to enhance the accessibility of the workplace and productivity of workers with disabilities.

This fact sheet provides a brief overview of available federal tax incentives and what they mean to employers.

Work Opportunity Tax Credit

The primary federal tax credit that benefits employers who hire workers with disabilities is the Work Opportunity Tax Credit (WOTC).

Who May Be Eligible?

Firms that hire workers who have received Social Security Income (SSI) benefits within 60 days prior to being hired, or who are referred to the firm by a vocational rehabilitation (VR) agency.

How It Works:

Administered by the U.S. Department of Labor's Employment and Training Administration (ETA), the WOTC provides support to employers by reimbursing a percentage of a worker's wages for up to two years. The maximum amount of reimbursement varies based on the background of the individual hired.

Highlights:

- ➔ For workers hired under this program, firms are eligible for a 25 percent reimbursement of first-year wages once the employee has worked 120 hours; workers who work 400 hours result in a 40 percent reimbursement.
- ➔ The maximum reimbursement possible per worker in this category is \$2,400. In addition to states' VR agencies, local American Job Centers can help identify potential hires meeting WOTC tax credit criteria and may be able to provide additional support, such as case management and accommodation coaching, through the Social Security Administration's Ticket to Work Program.
- ➔ The legislative authorization for the WOTC program expired on December 31, 2013. In the past when the program's authority lapsed, Congress has retroactively reauthorized the program back to the date of expiration. In anticipation of possible retroactive reauthorization, State Workforce Agencies (SWAs) are continuing to accept WOTC applications and businesses are encouraged to continue submitting applications to SWAs.

TO LEARN MORE:

Visit www.doleta.gov/business/incentives/opptax.

Visit www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Work-Opportunity-Tax-Credit-Frequently-Asked-Questions-and-Answers.

Connect with your local American Job Center: www.servicelocator.org/onestopcenters.asp.

Disabled Access Credit: Support for Modifications and Accommodations

Who May Be Eligible?

Small businesses or “any person” whose gross receipts do not exceed \$1,000,000 during the preceding tax year or who employed fewer than 30 full-time employees during that year. For the purposes of this second qualification, full-time employees are defined as those working at least 30 hours for 20 or more calendar weeks during the preceding year.

How It Works:

Small businesses as authorized by the Omnibus Budget Reconciliation Act of 1990 are eligible for a tax credit when they make changes to their workspaces that improve Americans with Disabilities Act Amendments Act of 2008 (ADAAA) accessibility requirements for individuals with disabilities. Examples of “Eligible Access Expenditures” can include physical changes to the workspace, acquiring or modifying equipment, and alternate forms of communication such as sign language interpretation.

Highlights:

- ➔ The IRS places certain restrictions as to what an Eligible Access Expenditure is and the size of the credit available to a qualifying small business. First, any physical changes to the workplace must meet Architectural and Transportation Barriers Compliance Board standards. (Learn more at Access-Board.gov.)
- ➔ A small business is eligible for a 50 percent tax credit on expenditures between \$250 and \$10,250, with a maximum credit of \$5,000 per year.
- ➔ This credit can be “carried backward” up to three years and forwarded up to 15 years to subsidize larger expenditures at up to \$5,000 per year. For example, an employer who installs a ramp to provide wheelchair access for employees may take the maximum credit of \$5,000 each year for the life of the loan used to build the ramp, up to the 15-year cap. This allows businesses that make significant investments to improve accessibility to receive tax credits for their efforts over an extended period of time, reducing their effective cost.

LEARN MORE:

Contact your local IRS office, visit www.irs.gov/businesses or phone them at (800) 829-4933 or (800) 829-4059 (TTY).

Additional information is available at www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Expanded-Work-Opportunity-Tax-Credit-Available-for-Hiring-Qualified-Veterans.

Disabled Access Credit: Architectural and Transportation Barrier Removal Deduction

Who May Be Eligible?

Small businesses or “any person” whose gross receipts do not exceed \$1,000,000 during the preceding tax year or who

employed fewer than 30 full-time employees during that year. For the purposes of this second qualification, full-time employees are defined as working at least 30 hours for 20 or more calendar weeks during the preceding year.

How It Works:

The Omnibus Budget Reconciliation Act of 1990 also amended Section 190 of the Tax Reform Act to expand the benefits of the Architectural and Transportation Barrier Removal Deduction to businesses. Using this incentive, businesses can deduct up to \$15,000 of the cost of making public-use vehicles or facilities more accessible to individuals with disabilities. This deduction can be used toward the purchase of new equipment or construction, or the modification or renovation of owned facilities. Examples of applicable purchases include construction of accessibility ramps, widening doorways to meet Americans with Disabilities Act (ADA) standards, and modifying public-use vehicles to accommodate wheelchair users.

LEARN MORE:

Contact your local IRS office, visit www.irs.gov/businesses, or phone the IRS at (800) 829-4933 or (800) 829-4059 (TTY).

Visit www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Tax-Benefits-for-Businesses-Who-Have-Employees-with-Disabilities.

Visit www.eeoc.gov/facts/fs-disab.html.

WOTC Extension for Hiring Veterans with Disabilities

Who May Be Eligible?

Employers who hire military veterans with service-connected disabilities through the Veterans Opportunity to Work (VOW) to Hire Heroes Act of 2011.

How It Works:

The extension provides up to \$4,800 of first-year wage reimbursement for veterans with service-connected disabilities hired within one year of leaving the armed forces. For those who have been unemployed for at least six months, a \$9,600 reimbursement of first-year wages is available.

TO LEARN MORE:

Contact your local IRS office, visit www.irs.gov/businesses or phone the IRS at (800) 829-4933 or (800) 829-4059 (TTY).

Visit www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Expanded-Work-Opportunity-Tax-Credit-Available-for-Hiring-Qualified-Veterans.

On-the-Job Training Program for Hiring Veterans with Disabilities

Who May Be Eligible?

Employers participating in the U.S. Department of Veterans Affairs' (VA) Vocational Rehabilitation and Employment (VR&E) Program's On-the-Job Training Program.

How It Works:

Veterans are hired at an apprentice wage, with the VR&E Program supplementing the wage up to a journeyman's scale. The VR&E Program will also pay for necessary tools for the apprenticeship. Employers participating in this program are also able to claim a tax credit under the WOTC program.

TO LEARN MORE:

Visit www.benefits.va.gov/VOW/for-employers.asp.

Speak to a VR&E representative by visiting your local VA Regional Office or calling (800) 827-1000 or (800) 829-4833 (TTY).

Special Employer Incentive Program for Hiring Veterans with Disabilities

Who May Be Eligible?

Employers who hire a veteran with extraordinary obstacles to employment. VA is responsible for determining whether a veteran meets this qualification.

How It Works:

The VR&E program provides eligible veterans an opportunity to obtain training and practical hands-on experience concurrently through the Special Employer Incentives (SEI) program. Participating employers may be eligible for a 50 percent reimbursement of wages for up to six months, as well as a tax credit through the WOTC program.

TO LEARN MORE:

Visit www.benefits.va.gov/VOW/for-employers.asp.

Speak to a VR&E representative by visiting your local VA Regional Office or calling (800) 827-1000 or (800) 829-4833 (TTY).

State Tax Credit Programs

Several states also offer tax credits to employers who hire people with disabilities, some based on the WOTC and others related to accessibility improvements. To learn more about incentives offered by your particular state, visit http://www.employmentincentives.com/incentives_listing.htm.

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