



Tax Incentives for Small Businesses

There are approximately two million people with disabilities in Illinois, including many educated, talented, and skilled workers who are a productive part of the workforce. However, due to misconceptions, disincentives, and other barriers, an inappropriately large percentage of Illinois residents with disabilities who want to work remain unemployed. To counteract this problem, the federal government has established tax incentives to remove existing barriers and promote the hiring, accommodation, and retention of workers with disabilities. In addition, tax credits and deductions are available for businesses to remove architectural and transportation barriers which will allow customers with disabilities access to their goods and services.

Current Tax Incentives Include:

Work Opportunity Tax Credit (See IRS form 8850 and 5884): The WOTC provides a tax credit for employers hiring individuals from certain targeted groups including people with disabilities who receive Supplemental Security Income or who are receiving services from a state vocational rehabilitation office. An employer is entitled to a tax credit up to 40 percent of the first \$6,000 in first year wages per qualifying employee. The qualified employee must work at least 400 hours during the tax year. An employer may claim a partial credit of 25 percent for certified employees who worked at least 120 hours, but fewer than 400 hours, during a one-year period.

The Disabled Access Credit (See IRS form 8826): Under Section 44 of the Internal Revenue Code, this credit assists small businesses in accommodating employees and customers with disabilities. Eligible expenditures include those made to provide access to individuals with disabilities when such accommodations are required in order to comply with the Americans with Disabilities Act (ADA). **The maximum credit is \$5,000 per year.**

To be eligible for the tax credit, a business must have had either revenues of \$1 million or less or 30 or fewer full-time employees in the previous tax year. The tax credit cannot be used for the costs of new construction, but may be used in coverage of ADA-related expenditures. These may include:

- Removal of architectural barriers in existing facilities or vehicles to comply with the ADA
- Purchase of adaptive equipment
- Provision of sign language interpreters
- Provision of readers for consumers or employees with visual disabilities
- Production of printed materials in accessible formats such as Braille, audiotape, computer diskette, and large print
- Under certain circumstances, consulting fees

The tax credit is equal to 50 percent of the “eligible access expenditures” in a year, up to a maximum of \$10,250. There is no credit given for the first \$250 of expenditures.

The Architectural and Transportation Barrier Removal Deduction (See IRS publication 535 & 907): Under Section 190 of the Internal Revenue Code, this deduction is available to businesses (including small businesses with active ownership of apartment buildings) that make their business and transportation vehicles more accessible to the elderly and people with disabilities. If the expenditures qualify under Section 44 and Section 190, the business may qualify for both the tax credit and the deduction. Both can be used each year that qualified costs are incurred, but any portion of the expense that exceeds the limit for the previous year cannot be carried over to the next year. However, if the amount of credit to which the business is entitled exceeds the amount of taxes owed, a business can carry forward the unused portion of the credit to the following year. **The maximum deduction is \$15,000 per year.**

The deduction applies to expenses that include, but are not limited to:

- Making building entrances accessible
- Making stairways accessible
- Providing accessible parking spaces
- Providing accessible restrooms and water fountains

**Business owners should contact the Internal Revenue Service (IRS) or consult their tax advisors for additional information and complete qualifications.*

Know the ADA: The Americans with Disabilities Act (ADA) of 1990

Signed into law on July 26, 1990, the ADA is an important piece of civil rights legislation that prohibits public and private entities from discriminating on the basis of disability. Title I of this Act prohibits private employers, state and local governments, employment agencies, and labor unions from discriminating against qualified individuals with disabilities in job application procedures, hiring, firing, advancement, compensation, job training, and other terms, conditions, and privileges of employment.

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