

## Federal and State Tax Incentives For Hiring People with Disabilities

### Architectural and transportation barrier removal expenses:

The IRS allows a **deduction up to \$15,000 per year** for "qualified architectural and transportation barrier removal expenses." Expenditures to make a facility or public transportation vehicle owned or leased in connection with a trade or business more accessible to, and usable by, individuals who are handicapped or elderly are eligible for the deduction. The definition of a "handicapped individual" is similar to the ADA definition of an "individual with a disability." To be eligible for this deduction, modifications must meet the requirements of standards established by IRS regulations implementing section 190.

### Targeted job tax credit:

Employers are eligible to receive a tax credit up to **40 percent of the first \$6,000 of first-year wages** of a new employee with a disability who is referred by state or local vocational rehabilitation agencies, a State Commission on the Blind, or the U.S. Department of Veterans Affairs, and certified by a State Employment Service. There is no credit after the first year of employment. For an employer to qualify for the credit, a worker must have been employed for at least 90 days or have completed at least 120 hours of work for the employer.

### The Work Opportunity Tax Credit (WOTC)

The Work Opportunity Tax Credit (WOTC) Program is a winning opportunity for businesses to solve key workforce shortages and reduce hiring costs by using the credit for new employees with disabilities. It provides eligible employers with a tax credit **up to 40 percent of the first \$6,000 of first-year wages of a new employee** if the employee is part of a "targeted group." An employee with a disability is one of the targeted groups for the Work Opportunity Credit, provided the appropriate government agencies have certified the employee as disabled. The credit is available to the employer once the employee has worked for at least 120 hours or 90 days. Employers claim the credit on IRS Form 5884.

### ADA small business Tax Credit:

Businesses with 30 or fewer employees or \$1,000,000 or less per year in total revenue can receive a tax credit for the cost of accommodations provided to an employee (or customer) with a disability. **This credit covers 50% of eligible expenditures up to \$10,250 (maximum credit per year of \$5000).** For additional information, contact the Internal Revenue Service.

### Welfare to Work Tax Credit:

If a person with a disability is a recipient of Temporary Aid to Needy Families (TANF) at the time of hire; the employer can receive a **federal tax credit for up \$8,500 per individual hired.**

For more information on any of these incentives, please contact the Work Opportunity Tax Credit Unit at the Connecticut Department of Labor at (860) 263-6060, the New London IRS office at (860) 439-7963, or your tax preparer.