

# **Tax Incentives Packet**

## **on the Americans with Disabilities Act**

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**Office of the Attorney General**  
**Washington, D. C. 20530**

Dear Sir or Madam:

Under President Bush's New Freedom Initiative, this Administration is committed to full and fair enforcement of the Americans with Disabilities Act (ADA), which provides people with disabilities an equal opportunity to work and to participate in the mainstream of American life. As part of the President's initiative, the Department of Justice is providing information to small businesses about the ADA and tax benefits to help them comply with the law. I am pleased to send you this ADA Tax Incentives Packet.

This packet contains information about the disabled access credit that is available for small businesses and the tax deduction that is available for businesses of any size to help offset some of the costs of improving accessibility for customers or employees with disabilities. It also includes the Internal Revenue Service (IRS) form and instructions for claiming the disabled access credit, a list of ADA publications available free from the Department of Justice, and a list of telephone numbers and Internet sites to which you can turn for answers to your ADA questions.

If you have questions about the ADA or want to order ADA publications, please call the ADA Information Line at 800-514-0301 (voice) or 800-514-0383 (TTY). Specialists are available to answer questions from 10:00am until 6:00pm Eastern time and automated service is available 24 hours a day to order publications. The ADA Home Page also provides information and publications at any time, day or night. Please visit us at <http://www.ada.gov>.

I hope you find this packet useful, and I encourage you to let others know about it.

Sincerely,

A handwritten signature in black ink, appearing to read "John Ashcroft". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

John Ashcroft  
Attorney General

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- **Fact Sheet 4 Tax Incentives for Improving Accessibility** (text version)
  - **Fact Sheet 4 Tax Incentives for Improving Accessibility** (Acrobat PDF version)
  - **IRS Form 8826 (tax credit)** (Acrobat PDF version)
  - **ADA Information from the Department of Justice (HTML)**
  - **ADA and Tax Information Services from Federal Agencies** (including link to IRS website)

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## FACT SHEET 4

# Tax Incentives for Improving Accessibility

### The Americans with Disabilities Act Fact Sheet Series

September 4, 1998



*Fact Sheets in this series:*

Fact Sheet 1. Who Has Obligations Under Title III?

Fact Sheet 2. Providing Effective Communication

Fact Sheet 3. Communicating with People with Disabilities

**Fact Sheet 4. Tax Incentives for Improving Accessibility**

Fact Sheet 5. Alternatives to Barrier Removal

Fact Sheet 6. Resources for More Information

To obtain additional copies of any fact sheet in this series, contact your Disability and Business Technical Assistance Center. To be automatically connected to your regional center, call 1-800-949-4ADA. This fact sheet may be copied as many times as desired by the Disability and Business Technical Assistance Centers for distribution to small businesses but may not be reproduced in whole or in part and sold by any other entity without written permission from the authors.

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Fact Sheet 4

## **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: 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.)

## Tax Credit

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 of \$1,000,000 or less or 30 or fewer full-time workers may take advantage of this credit. 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.

## Tax Deduction

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. The renovations under Section 190 must comply with applicable accessibility standards.

Small businesses can use these incentives in combination if the expenditures incurred qualify under both Section 44 and Section 190. For example, a small business that spends \$20,000 for access adaptations may take a tax credit of \$5,000 (based on \$10,250 of expenditures), and a deduction of \$15,000. The deduction is equal to the difference between the total expenditures and the amount of the credit claimed.

**Example:** A small business' use of both tax credit and tax deduction

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

- \$5,000 maximum credit

\$15,000 remaining for deduction

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Fact Sheet 4

## **Tax Incentives for Improving Accessibility**

### **Annual 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, you may carry forward the unused portion of the credit to the following year.

For further details and information, review these incentives with an accountant or contact your local IRS office or the national address below.

### **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 and Forms

(800) 829-3676 Voice

(800) 829-4059 TDD

IRS Questions

(800) 829-1040 Voice

(800) 829-4059 TDD

## Legal Questions

Internal Revenue Service

Office of the Chief Counsel

attn: Jolene Shiraishi

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Washington, D.C. 20224

(202) 622-3120 Voice/Relay

[www.irs.gov](http://www.irs.gov)

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