

Tax Incentives Packet on the Americans with Disabilities Act

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

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.

IRS Tax Credits and Deductions

To assist businesses with complying with the ADA, Section 44 of the IRS Code allows a tax credit for small businesses and Section 190 of the IRS Code allows a tax deduction for all businesses.

The tax credit is available to businesses that have total revenues of \$1,000,000 or less in the previous tax year or 30 or fewer full-time employees. This credit can cover 50% of the eligible access expenditures in a year up to \$10,250 (maximum credit of \$5000). The tax credit can be used to offset the cost of undertaking barrier removal and alterations to improve accessibility; providing accessible formats such as Braille, large print and audio tape; making available a sign language interpreter or a reader for customers or employees, and for purchasing certain adaptive equipment.

The tax deduction is available to all businesses with a maximum deduction of \$15,000 per year. The tax deduction can be claimed for expenses incurred in barrier removal and alterations.

To learn more about the tax credit and tax deduction provisions:

[Download IRS Form 8826 for the tax credit for small businesses](#)

[Go to the Internal Revenue Service Web Site](#)

[Department of Justice ADA Information Line.](#)

Disabled Access Credit

OMB No. 1545-1205

▶ Attach to your tax return.

Attachment
 Sequence No. **86**

▶ Information about Form 8826 and its instructions is at www.irs.gov/form8826.

Name(s) shown on return

Identifying number

1 Total eligible access expenditures (see instructions)	1		
2 Minimum amount	2	\$ 250	00
3 Subtract line 2 from line 1. If zero or less, enter -0-	3		
4 Maximum amount	4	\$10,000	00
5 Enter the smaller of line 3 or line 4	5		
6 Multiply line 5 by 50% (.50)	6		
7 Disabled access credit from partnerships and S corporations	7		
8 Add lines 6 and 7, but do not enter more than \$5,000. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, line 1e	8		

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 12774N

Form **8826** (Rev. 12-2013)

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8826 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form8826.

Purpose of Form

Eligible small businesses use Form 8826 to claim the disabled access credit. This credit is part of the general business credit.

Taxpayers, other than partnerships or S corporations, whose only source of this credit is from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on Form 3800.

Definitions

Eligible Small Business

For purposes of the credit, an eligible small business is any business or person that:

- Had gross receipts (including that of any predecessor) for the preceding tax year that did not exceed \$1 million **or** had no more than 30 full-time employees during the preceding tax year and
- Elects (by filing Form 8826) to claim the disabled access credit for the tax year.

For purposes of the definition:

- Gross receipts are reduced by returns and allowances made during the tax year,
- An employee is considered full time if employed at least 30 hours per week for 20 or more calendar weeks in the tax year, and
- All members of the same controlled group and all persons under common control generally are considered to be one person—see section 44(d)(2).

Eligible Access Expenditures

For purposes of the credit, these expenditures are amounts paid or incurred by the eligible small business to comply with applicable requirements under the Americans With Disabilities Act of 1990 (Public Law 101-336) as in effect on November 5, 1990.

Eligible access expenditures include amounts paid or incurred:

1. To remove barriers that prevent a business from being accessible to or usable by individuals with disabilities;
2. To provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals;
3. To provide qualified readers, taped texts, and other methods of making visual materials available to individuals with visual impairments; or
4. To acquire or modify equipment or devices for individuals with disabilities.

The expenditures must be reasonable and necessary to accomplish the above purposes.

Eligible expenditures do not include expenditures in 1 above that are paid or incurred in connection with any facility first placed in service after November 5, 1990.

Eligible access expenditures must meet those standards issued by the Secretary of the Treasury as agreed to by the Architectural and Transportation Barriers Compliance Board and set forth in regulations. See section 44(c) for other details.

Disability. For an individual, this means:

- A physical or mental impairment that substantially limits one or more major life activities,
- A record of such an impairment, or
- Being regarded as having such an impairment.

Member of Controlled Group or Business Under Common Control

For purposes of figuring the credit, all members of a controlled group of corporations (as defined in section 52(a)) and all members of a group of businesses under common control (as defined in section 52(b)), are treated as a single taxpayer. As a member, compute your credit based on your proportionate share of eligible access expenditures giving rise to the group's disabled access credit. Enter your share of the credit on line 6. Attach a statement showing how your share of the credit was figured, and write "See attached" next to the entry space for line 6.

Specific Instructions

Line 1

Enter total eligible access expenditures paid or incurred during the tax year. See *Eligible Access Expenditures* earlier.

Line 6

Denial of double benefit. To the extent of the credit shown on line 6, the eligible access expenditures may not be claimed as a deduction in figuring taxable income, capitalized, or used in figuring any other credit.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping 1 hr., 54 min.

Learning about the law or the form 57 min.

Preparing and sending the form to the IRS 2 hr., 14 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.