



Employer Guide to Tax Credits for Hiring Employees with Disabilities



U.S. Chamber of Commerce



Three Tax Credits Available to Employers Who Hire Individuals with Disabilities

Businesses that make structural adaptations or other accommodations for employees with disabilities may be eligible for certain tax incentives. This guide details three federal tax credits, and what employers need to know.

The following credits are detailed in this guide:

1. **The Work Opportunity Tax Credit (WOTC)**

WOTC is available to employers for hiring individuals from certain target groups who have consistently faced significant barriers to employment. More on page 3.

2. **The Disabled Access Credit**

The Disabled Access Credit provides a non-refundable credit of up to \$5,000 for small businesses that incur expenditures for the purpose of providing access to persons with disabilities. More on page 4.

3. **The Architectural Barrier Removal Tax Deduction**

The Architectural Barrier Removal Tax Deduction encourages businesses of any size to remove architectural and transportation barriers to the mobility of persons with disabilities and the elderly. Businesses may claim a deduction of up to \$15,000 a year for qualified expenses for items that normally must be capitalized. More on page 5.

Several states also have their own tax credits for hiring people with disabilities, barrier removal, and employment supports, as well as financial incentives to support employers in establishing stay-at-work/return to work programs.



Employer Guide to the Work Opportunity Tax Credit

The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers for hiring individuals from certain targeted groups who have consistently faced significant barriers to employment.

What are the parameters?

In general, the WOTC is equal to 40% of up to \$6,000 of wages paid to or incurred on behalf of, an individual who:

- is in their first year of employment;
- is certified as being a member of a targeted group;
- performs at least 400 hours of services for that employer; and
- begins work on or before December 31, 2025.

\$2,400

The maximum tax credit, equal to 40% of up to \$6,000 of wages paid to an individual.

The maximum tax credit is generally \$2,400. A 25% rate applies to wages for individuals who perform fewer than 400 but at least 120 hours of service for the employer. An employer cannot claim the WOTC for employees who are rehired. In general, taxable employers may carry the current year's unused WOTC back one year and then forward 20 years.

How do I claim this credit?

The WOTC is a general business credit. The credit is limited to the amount of the business income tax liability or Social Security tax owed.

1. On or before the day that an offer of employment is made, the employer and the job applicant must complete Form 8850 (Pre-Screening Notice and Certification Request for the Work Opportunity Credit).

Note: The employer has 28 calendar days from the new employee's start date to submit Form 8850 to the designated local agency located in the state in which the business is located (where the employee works). Additional forms may be required by the U.S. Department of Labor to obtain certification.

2. After receiving a certification from the designated local agency that the employee is a member of one of the 10 targeted groups, taxable employers file Form 5884 (Work Opportunity Credit) to claim the WOTC.

A taxable business may apply the credit against its business income tax liability, and the normal carry-back and carry-forward rules apply. See the instructions for Form 3800 for more information.

For qualified tax-exempt organizations, the credit is limited to the amount of employer Social Security tax owed on wages paid to all employees for the period the credit is claimed.

Source: [IRS - Work Opportunity Tax Credit FAQ](#)



Employer Guide to the Disabled Access Credit

The Disabled Access Credit provides a non-refundable credit of up to \$5,000 for small businesses that incur expenditures for the purpose of providing access to persons with disabilities. An eligible small business is one that earned \$1 million or less or had no more than 30 full time employees in the previous year.

What are the parameters?

This tax credit is available to eligible small businesses in the amount of 50 percent of “eligible access expenditures” that exceed \$250 but do not exceed \$10,250 for a taxable year. A business may take the credit each year that it makes an eligible access expenditure.

“Eligible access expenditures” are amounts paid or incurred by an eligible small business for the purpose of enabling the business to comply with the applicable requirements of the Americans with Disabilities Act (ADA). These include amounts paid or incurred to:

- remove architectural, communication, physical, or transportation barriers that prevent a business from being accessible to, or usable by, individuals with disabilities;
- provide qualified readers, taped texts, and other effective methods of making materials accessible to people with visual impairments;
- provide qualified interpreters or other effective methods of making orally delivered materials available to individuals with hearing impairments;
- acquire or modify equipment or devices for individuals with disabilities; or

- provide other similar services, modifications, materials or equipment.

Note: Expenditures that are not necessary to accomplish the above purposes are not eligible. Expenses in connection with new construction are not eligible. “Disability” has the same meaning as it does in the ADA. To be eligible for the tax credit, barrier removals or the provision of services, modifications, materials or equipment must meet technical standards of the ADA Accessibility Guidelines where applicable. These standards are incorporated in Department of Justice regulations implementing Title III of the ADA (28 CFR Part 36; 56 CFR 35544, July 26, 1991).

How do I claim this credit?

Refer to Form 8826, Disabled Access Credit, for instructions for how to claim.

Example A

A company purchases equipment to meet its reasonable accommodation obligation under the ADA for \$8,000. The amount by which \$8,000 exceeds \$250 is \$7,750. Fifty percent of \$7,750 is \$3,875. The company may take a tax credit in the amount of \$3,875 on its next tax return.

Example B

A company removes a physical barrier in accordance with its reasonable accommodation obligation under the ADA. The barrier removal meets the ADA Accessibility Guidelines. The company spends \$12,000 on this modification. The amount by which \$12,000 exceeds \$250 but not \$10,250 is \$10,000. 50% of \$10,000 is \$5,000. The company is eligible for a \$5,000 tax credit on its next tax return.



Employer Guide to the Architectural Barrier Removal Tax Deduction

The architectural barrier removal tax deduction encourages businesses of any size to remove architectural and transportation barriers to accommodate the mobility of people with disabilities and the elderly.

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.”

How do I claim this credit?

To be eligible for this deduction, modifications must meet the requirements of standards established by IRS regulations implementing section 190.

Businesses claim this deduction by listing it as a separate expense on their income tax return. Also, businesses may use the disabled tax credit and the architectural/transportation tax deduction together in the same tax year if the expenses meet the requirements of both sections. To use both, the deduction is equal to the difference between the total expenses and the amount of the credit claimed.

Source: [IRS - Tax benefits of making a business accessible to workers and customers with disabilities](#)



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