

For more information, visit [www.ksrevenue.org](http://www.ksrevenue.org) or call the Taxpayer Assistance Line at (785) 368-8222.

## Federal Employment Incentive



Photo credit: National Organization on Disability

### Work Opportunity Tax Credit (WOTC)

The Work Opportunity Tax Credit (WOTC) program provides a federal income tax credit to employers who hire individuals from targeted groups that have traditionally faced barriers to employment. The WOTC program includes the federal Welfare-to-Work Tax Credit program, which offers tax credits to employers who hire long-term family assistance recipients.

#### Who is eligible?

- Any private, for-profit employer

#### What types of employees are included in “target groups?”

- Supplemental Security Income (SSI) recipients or Social Security Disability Insurance (SSDI) Ticket-to-Work holders
- Long-term family cash assistance recipients
- Other family cash assistance recipients

- Veterans that are receiving food stamps or are unemployed or disabled
- Food stamp recipients (18-39 years of age)
- Rural Renewal County residents (18-39 years of age)
- Vocational rehabilitation referrals
- Ex-felons
- Disconnected youth (16-24 years of age)

#### What are the benefits for employers?

The WOTC program can save employers up to \$2,400 per hire, while the long-term family cash assistance recipients target groups can save the employer up to \$9,000 over a two-year period.

There are no restrictions on the number of employees hired under the program. The program applies to first-time hires only. No tax credit can be claimed for wages paid to relatives or for federal subsidized on-the-job training (e.g. Vocational Rehabilitation (VR) or Workforce Investment Act (WIA) employment and training programs); however, wages paid after the subsidy expires can qualify for the credit.

**For more information, visit [KansasCommerce.com](http://KansasCommerce.com) or call Workforce Services at (785) 296-7435.**

#### To request additional copies of this brochure, contact:

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# BUSINESS TAX INCENTIVES



Photo credit: Guide Dogs for the Blind

The State of Kansas and the federal government both offer tax incentives to businesses that increase their accessibility to individuals with disabilities. Incentives include tax credits, which are treated as payments already made toward taxes owed, and tax deductions, which reduce taxable income. Because of the complex nature of tax laws, interested businesses should consult their tax attorney, accountant, the Internal Revenue Service or Kansas Department of Revenue.

## Federal Access and Accommodation Incentives

Two federal tax incentives are available to businesses to help cover the cost of making access improvements. The first is the **Disabled Access Tax Credit**, which can be used for architectural adaptations, equipment acquisitions and services such as sign language interpreters. The second federal incentive is the **Barrier Removal Tax Deduction**, which can be used for architectural and transportation adaptations. These two incentives can be used in combination if the expenditures qualify under Sections 44 and 190. In such a case, the deduction is equal to the difference between the total expenditures and the amount of the credit claimed. Both the tax credit and the deduction can be used annually. However, you may not carry over expenses from one year to the next.

### **Disabled Access Tax Credit (*Title 26, Internal Revenue Code, Section 44*)**

This tax credit is available to help small businesses cover Americans with Disability Act related eligible access expenditures. A business that had either revenues of \$1 million or less or 30 or fewer full-time workers for the previous tax year may take advantage of this credit. The amount of the tax credit is equal to 50 percent of the eligible access expenditures in a year that exceed \$250 but are not more than \$10,000. Thus, the maximum allowable credit is \$5,000. The credit can be used to cover a variety of expenditures, including:

- Barrier removal
- Providing interpreters
- Making materials accessible to people with visual impairments
- Providing or modifying equipment

The expenses must be associated with required adaptation to existing facilities, not for costs of new construction.

For more information, visit [www.irs.gov](http://www.irs.gov) and search for Form 8826 or call the IRS Business Information Service Line at (800) 829-4933.

### **Barrier Removal Tax Deduction (*Title 26, Internal Revenue Code, Section 190*)**

This tax deduction allows a business of any size to deduct up to \$15,000 per year

in items that normally must be capitalized (depreciated). This deduction may be used for expenses associated with the removal of architectural or transportation barriers in association with a trade or business that complies with applicable accessibility standards. Additional information relating to qualified architectural and transportation barrier removal can be found in Internal Revenue Code Regulation 1.190-2.



For more information, visit [www.irs.gov](http://www.irs.gov) or call the IRS Business Information Service Line at (800) 829-4933.

## **State Access and Accommodation Incentives**

### **Disabled Access Tax Credit**

The Disabled Access Tax Credit is available to individual and business taxpayers in Kansas who incur expenditures to make their property accessible to the disabled.

### **Qualifications**

The property must be:

- A personal residence located in Kansas; or
- An existing building, facility or equipment allocated in Kansas and used in a trade or business or held for the production of income

Specifications for making a building or facility accessible and usable by the disabled must be in conformity with Title I and Title III of the Americans with Disabilities Act of 1990, 42 USCA 12101 et seq. and 28 CFR Part 36 and 29 CFR 1630 et seq.

### **Qualified Expenditures**

Expenditures incurred to remove an existing architectural barrier qualify for the disabled access credit. Effective July 1, 1997, the construction of a small, barrier-free living unit attached to the principal residence also qualifies as an eligible expenditure.

Costs incurred in making a business facility accessible to individuals with a disability or in making equipment usable for the employment of individuals with a disability are used to determine your disabled access credit. However, any expenses that were not capitalized but deducted as current expenses are also recognized in computing your disabled access credit. See instructions for Schedule K-37.

### **Credit Amount**

For individual taxpayers, a certain percentage of expenditures, based on adjusted gross income, is allowed as a credit; or \$9,000, whichever is

less, not to exceed the taxpayer's income tax liability. An individual with a tax liability of less than \$2,250 is allowed a refund of 25 percent of the amount that exceeds the liability in the first year the credit is claimed. In the second year, the refund is 33 percent of the amount carried over from the first year that exceeds the liability. In the third year, the refund is 50 percent of the amount carried over from the second year that exceeds the liability. In the fourth year, any remaining credit exceeding the liability is refunded.

An individual with a tax liability of \$2,250 or more may carry forward any amount of credit that exceeds the income tax liability for a period of four years.

For a business taxpayer, the credit is 50 percent of the actual expenditures or \$10,000, whichever is less, not to exceed the taxpayer's income or privilege tax liability.

A business may carry forward any amount of credit that exceeds the income or privilege tax liability for a period of four years.

Instructions regarding using both the federal and state tax incentives are included on page 3 of the instructions for Schedule K-37.