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Tax Benefits for Businesses Who Have Employees with Disabilities

Businesses accommodating people with disabilities may qualify for some of the following tax credits and deductions. More detailed information may be found in the IRS publications referenced.

Disabled Access Credit

The Disabled Access Credit provides a non-refundable credit for small businesses that incur expenditures for the purpose of providing access to persons with disabilities. An eligible small business is one that that earned \$1 million or less or had no more than 30 full time employees in the previous year; they may take the credit each and every year they incur access expenditures. Refer to [Form 8826, Disabled Access Credit](#) (PDF), for information about eligible expenditures.

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. Businesses claim the 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 expenditures and the amount of the credit claimed.

Work Opportunity Credit

The Work Opportunity Credit 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 [Form 5884, Work Opportunity Credit](#) (PDF).

Expanded Tax Credit for Hiring Unemployed Veterans

The work opportunity credit has been expanded to provide employers with new incentives to hire certain unemployed veterans.

On November 21, 2011, the President signed into law the VOW to Hire Heroes Act of 2011. This new law provides an expanded work opportunity tax credit to businesses that hire eligible unemployed veterans and for the first time also makes part of the credit available to tax-exempt organizations. Businesses claim the credit as part of the general business credit, and tax-exempt organizations claim it against their payroll tax liability. The credit is available for eligible unemployed veterans who begin work on or after November 22, 2011, and before January 1, 2013.

For more information on claiming this credit, go to the [Expanded Work Opportunity Tax Credit Available for Hiring Qualified Veterans](#). Get the latest information about [Form 5884, Work Opportunity Credit](#), and its instructions, and [Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit](#).

Classification of Workers in Sheltered Workshops

Many businesses misclassify workers in a sheltered workshop as independent contractors when they really are employees. Revenue Ruling 65-165 discusses the treatment of such workers in each of the following categories:

- Individuals in training in a rehabilitation program designed to prepare them for placement in private industry. The intent of the training, which averages 16 weeks in length, is to accustom the individual to industrial working conditions. These individuals are not employees of the workshop for federal employment tax purposes while they are being trained.
- Regular workshop employees who have completed training and are capable of performing one or

more jobs in the sheltered workshop temporarily if awaiting placement in private industry or permanently if unable to compete in regular industry. These individuals are paid by the workshop that provides working conditions and pay scales comparable to those in private industry, fixes working hours and production schedules so an employment relationship is intended. The trained workers in the workshop are employees for federal employment tax purposes

- Individuals working at home that are incapable of working in the workshop that are able to produce salable articles and may sell them wherever they please. These individuals are not considered employees as no employer-employee relationship exists under the usual common law rules

Additional information about these business topics concerning accommodations for individuals with disabilities are in:

- [Publication 535, Business Expenses](#)
- [Publication 954, Tax Incentives for Distressed Communities](#)
- [Form 8826, Disabled Access Credit](#) (PDF)
- [Form 5884, Work Opportunity Credit](#) (PDF)
- [Form 3800, General Business Credit](#) (PDF)
- [Instructions to Form 3800](#)
- [Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit](#) (PDF)
- [Instructions for Form 8850](#)

There is also a wide array of tax benefits available to persons with disabilities, ranging from standard deductions and exemptions to business and itemized deductions to credits. Information about these issues is in [Publication 3966, Living and Working with Disabilities](#) (PDF).

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Page Last Reviewed or Updated: 21-Oct-2014