Is There Any Help to Defray Some of These Costs of Coming Into ADA Compliance after Purchase?

The Department of Justice (DOJ) recognizes that the process of what changes are readily achievable is not a one-time effort, but rather a determination that should be made annually. A savvy business owner recognizes the physical barriers that need to be removed, program changes to be made, training to be completed, and web site access that must be provided; this information is then compiled into an implementation plan that uses tax incentives to help defray cost.

Incentives:

There are two tax incentives available to businesses to help cover the cost of making accessibility improvement. One is a tax credit and the other is a tax deduction. A tax credit, subtracted from your tax liability after you calculate your taxes, can be used for architectural adaptations, purchasing equipment, and offering services such as sign language interpreters. However, a tax deduction, subtracted from your total income before taxes, can be used for architectural or transportation adaptations.

A. Tax Credit – The Fast Facts:

- Business total revenue 1 million or less in previous tax year or 30 or less full-time employees
- Cannot be used for the costs of new construction – only adaptations to existing covered facilities
- Maximum tax credit is $5,000 (minus the first $250 expenditure) as it is 50% of the eligible $10,250 in a year
- Covered items can include:
    - Purchases of certain adaptive equipment
    - Providing accessible formats – braille, large print, audio tape
    - Provide availability of sign language interpreter or a reader
    - Remove architectural barriers in facilities and/or vehicles

Section 44 of the IRS Code (Form 8826)

B. Tax Deduction – The Fast Facts:

- Available to all business (no revenue or employee caps)
- Maximum tax deduction limited to $15,000 per year
- Covered items can include barrier removal and alterations
- Section 190 of the IRS Code

Combined Incentive – Sample Scenario:

Small businesses can combine the two tax incentives if the expenses qualify under Section 44 and Section 190 of the IRS Code (Forms 535, 334, and 8826). Scenario: Wheels Neighborhood Bike Shop has removed physical barriers from the shop. This is done as part of a phased implementation plan the owner worked on with an ADA Consultant. The total cost amounted to $20,000. The savvy bike shop owner is looking to defray this cost and will use both tax incentives.

$20,000	cost of physical barrier removal (rest room, ramp, 3 doors widened)
-$ 5,000	maximum tax credit (the 50% eligible) ** the tax credit is 50% of the $10,250 eligibility*
$15,000	maximum remaining tax deduction

Wheels Neighborhood Bike Shop can use this combination annually as the owner works through the implementation plan. The owner cannot carry over expenses from one year to the next. However, if the amount of credit the owner is entitled to exceeds the amount of taxes owed, the owner may carry forward the unused portion of the credit to the following year. Takeaway for the real estate agent, client, and general public:

Information about tax incentives can be found at the Internal Revenue Service website www.irs.gov, by voice at 800-829-3676, or by TTY at 800-829-4059.