Massachusetts Commission for the Blind VR Research Initiatives 2020

Scope 5: Study of Tax Tables and Publications as They Relate to VR Consumers

**September 2, 2020**

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# Executive Summary

The Massachusetts Commission for the Blind (MCB) has a mission to provide the “highest quality rehabilitation and social services to Massachusetts residents who are blind, leading to their independence and full community participation.”[[1]](#footnote-2) Consistent with its mission, MCB has recognized the need to address economic improvement in the lives of people who are blind or visually impaired in order to determine what services are needed or what initiatives could be pursued to help residents continually move toward independence and improve their financial position. One area to improve a person’s financial position is to maximize income available to the person and their family. One’s tax liability has a direct bearing on their overall income. MCB knows that tax issues are very complex, and the IRS rules are difficult for most taxpayers to understand. Additionally, there may be other challenges to decipher through the tax regulations for those who are blind or visually impaired. Even if one does understand the tax topic, they may have a difficult time applying the rules to specific tax forms and schedules. This daunting task can leave many taxpayers discouraged and there is the potential to complete tax forms inaccurately, not taking allowed deductions or claiming tax credits. These types of occurrences may increase one’s tax liability and reduce the amount of money that remains in the “taxpayer’s pocket”.

MCB is interested in gathering tax information that may be useful in reducing some of the barriers blind or visually impaired residents go through in completing federal income tax returns. Further, MCB desires to understand how it can better help their residents from a local and state tax relief perspective. To this end, MCB has the following questions:

* Are residents aware of federal tax deductions and credits available to blind or visually impaired persons?
* Does the individual know if they are eligible for a tax deduction or credit?
* If they are aware of tax liability reduction opportunities, do residents know how to tap into them? Do they know how to apply medical or disability related tax deductions and claim credits on the tax forms and schedules?
* What kind of tax information is available to help educate the blind or visually impaired population? Can the tax information be presented in more simplified terms?
* Do blind and visually impaired individuals complete federal or state income tax forms themselves? Are they aware of tax software that can help them?
* Do blind and visually impaired individuals know who to reach out to for help? And how to contact agencies that can assist with completing tax returns.
* Are residents aware of state and/or local tax discounts for those who are blind or visually impaired?
* A table(s) showing the utilization of each of these programs.

In addition to individual tax discounts, MCB is also interested in how the business community can better serve people who are blind or visually impaired by providing employment or the ability to own a business. Businesses may be incentivized by tax breaks that would encourage them to employ people who are blind or visually impaired. MCB desires information on whether businesses are familiar with federal and state tax incentives and if they are taking advantage of them.

Further, MCB is interested in how Massachusetts (MA) fairs to other states in providing local and state tax incentives to individuals and business.

In effort to assist MCB in their endeavor, Public Consulting Group, Inc. (PCG) has researched MCB’s questions and delivers this study to be informative and to help determine further strategies to assist the blind and visually impaired populations to experience greater independence. The following summarizes PCG’s work activities. PCG:

1. Gathered Federal IRS publications and forms data. This report presents a summary of relevant publications and forms, highlights key areas of tax advantages for those that are blind or visually impaired, and has provided narrative around the rules in attempt to simplify what is very complex and make it more understandable.
2. Surveyed and interviewed municipality assessors in effort to understand what individual tax discounts or business tax incentives are offered in their locality.
3. Surveyed selected businesses in effort to understand if employers are aware of tax deductions and credits for employing blind or visually impaired individuals, and expenses incurred for disability accommodations.
4. Researched tax advantages provided by peer states and compared to Massachusetts to gain an understanding on how MA municipal and state tax incentives fair on a more national basis.
5. Researched and analyzed IRS Statistics of Income Data. This information was gathered to help answer questions regarding are individuals and businesses taking advantage of tax deductions and credits. How does this look over time?

The results of our work provide both answers to MCB’s questions and additional questions that could be further explored. The following outlines notable highlights in our research:

Table 1: Research

|  |  |
| --- | --- |
|  | Massachusetts municipalities provide personal property exemptions; however, it is our understanding that they rely on the State to determine the amounts of the exemption. It was expressed that municipalities would be generally open to raising the exemption if the State increased the amounts under the Massachusetts Tax Code, Chapter 57. |
|  | PCG examined ABLE account guidelines for Massachusetts along with selected peer states. The results showed that Massachusetts ABLE account rules allow for the next to lowest limit of funds (currently set at $400,000) as compared to the peer states. Also, Massachusetts has the next to highest average income of any peer state (according to the 2018 American Communities Surveys). Residents having a higher average income indicates they may have a greater opportunity to invest more in ABLE accounts. Considering these factors, it may be worthwhile to further evaluate the Massachusetts ABLE account limit and determine if it is feasible to increase the account limit. |
|  | The municipal and business surveys administered both provide similar results that indicate there is a lack of knowledge of tax advantages available to businesses. Further, the findings show there are limited tax incentives available to businesses both locally and statewide. These findings warrant the development of strategic actions to increase the availability of tax advantages for businesses who employ persons with visual impairments and to enhance education and publications regarding what business tax incentives are currently available. |
|  | The analysis of the IRS Statistics of Income produces some questions. Overall, more tax forms have been filed over the past decade; however, the number of credits being claimed have decreased. We found that this trend occurred generally across the tax credits analyzed: General Business Credit (Form 3800), Work Opportunity Tax Credit (Form 5884), and the Disable Access Credit (Form 8826). Why is there an inverse relationship between the number of income tax forms being filed and credits filed? Is it due to a lack of knowledge regarding the tax credits? Or a lack of tools and tax help to complete the forms properly? Or, is it that the amounts are considered small, so they appear insignificant?  |
|  | The IRS Statistics of Income analysis results for Partnership Returns contrasted with the results from the Individual Returns in the area of total counts of Partnership returns filed and the Work Opportunity Tax Credit (WOTC) filed under Partnerships. Partnerships who filed the WOTC experienced an upward linear trend. Why is this? Could it be that Partnerships are more open to hiring employees that qualify under the WOTC? Could strategies developed and implemented towards Corporations increase their interest in hiring employees that qualify for the WOTC? |

Our research tells us that there is a need to improve the education and potentially, assistance for both individual and business tax filers. Further, it appears there is opportunity to develop strategies towards businesses that may increase the employment of individuals who are blind or visually impaired. This study provides MCB with desired information that will support their initiatives to benefit and improve the economic position of MA blind or visually impaired individuals.

# Study Overview And Methodology

The Massachusetts Commission for the Blind (MCB) has engaged Public Consulting Group, Inc. (PCG) to focus locally and nationally on the tax tables and deductions data of blind consumers with the ultimate goal of making employers and people who are blind or visually impaired aware of tax deductions or other incentives available to them.

Our review and analysis of data and information was collected from multiple sources, including:

* Department of Revenue (DOR) and Internal Revenue Service (IRS) tax publications and forms
* Deployment of a municipal tax assessor survey
* Deployment of a business survey
* Key informant interview of a Massachusetts tax assessor
* Peer state research

The methodology with which we conducted our research and analysis is described as follows:

***Department of Revenue (DOR) and Internal Revenue Service (IRS) tax publications and forms***

We have reviewed information from the Department of Revenue (DOR) and Internal Revenue Service (IRS) to determine what types of businesses are leveraging those benefits in Massachusetts and nationally.

Our research includes analysis and information related to data from the following tax publications:

* Publication 501, Exemptions, Standard Deduction, and Filing
* Publication 502, Medical and Dental Expenses
* Publication 503, Child and Dependent Care Expenses
* Publication 524, Credit for the Elderly or the Disabled
* Publication 525, Taxable and Nontaxable Income
* Publication 529, Miscellaneous Deductions
* Publication 535, Business Expenses
* Publication 596, Earned Income Credit (EIC)
* Publication 907, Tax Highlights for Persons with Disabilities
* Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments (for Individuals)

Our research includes analysis and information related to data from the following tax forms:

* Form 8826, Disabled Access Credit
* Form 3800, General Business Credit
* Form 5884, Work Opportunity Credit

***Deployment of a municipal tax assessor survey***

To better understand the many possible tax incentives offered by the various towns and cities in the Commonwealth of Massachusetts, PCG worked with MCB to create a survey to be distributed to local officials. This survey was also given to members of the Massachusetts Association of Assessing Officers (MAAO) to check for relevance, context, and language. The survey asked a series of basic questions about the tax incentives and advantages offered to individuals with visual impairments, businesses employing those with visual impairments, and those businesses owned individuals with visual impairments. The survey was programmed into Microsoft Forms survey software. It took, on average, four and a half minutes to complete.

The survey was distributed using two newsletter mailing lists, one addressed to local town officials and the other specifically targeting the members of the MAAO. In total, 101 survey responses were collected between May 21 and June 12, 2020. However, three survey respondents didn’t provide town information. PCG eliminated these responses, leaving 98 responses representing 95 unique municipalities. These valid responses represent 27% of all 351 municipalities in the Commonwealth of Massachusetts. The municipalities represented contain a combined population of 1.6 million individuals or approximately 23% of the total population of the Commonwealth.

Of all respondents, 94% identified themselves as holding a position as an assessor or working in the assessor’s office.

***Deployment of a business survey***

PCG worked with MCB to create a survey of businesses to understand their relationship with MCB and their use of certain tax benefits for individuals with visual impairments and other disabilities. In order to reduce the burden on businesses with relationships with MCB, this survey effort was pursued via respondent driven sampling. In respondent driven sampling methods, a survey is distributed to individuals who qualify to take the survey. These individuals are then encouraged to further share the survey with others who may qualify or be interested in the topic. These recruits are then encouraged to recruit others.

Surveys were conducted from June 2,2020 to June 19, 2020. In total, 13 surveys were completed.

***Key informant interview of a Massachusetts tax assessor***

In addition to the surveys, PCG also conducted an informational, informal interview with a retired tax assessor, and former president of the Massachusetts Association of Assessing Officers. This interview focused on common tax benefits for blind and visually impaired individuals, as well as limitations and concerns that could be present for municipalities when working within the tax code of the Commonwealth. This interview was unstructured, allowing topics and items of interest to emerge naturally through the course of conversation. Notes were taken, and important findings incorporated into the municipal survey instrument and into this report.

***Peer state research***

Peer states were identified in conversation with MCB based on a number of attributes. Some of these attributes included population- both size and dispersion- demographic attributes, and programs of interest to MCB. They were chosen not only for this study, but to operate across the range of research being coordinated by PCG and MCB.

For this study, peer state research was largely limited to review of publicly available documentation of tax benefits and their structure. Materials were identified from state and federal online information sources, most often Departments of Revenue or similar agencies, and analyzed for their content.

# Summary of Selected IRS Tax PublicATIONS AND fORMS

The purpose of this section of the report is to summarize at a high level the IRS guideline presented in the various publications that impact the availability of tax advantages or credits to those with visual impairment. While this report does not provide all details required to complete IRS tax forms, it does provide brief summaries that simplify what is presented in the IRS tax publications to help businesses and/or consumers who are visually impaired better understand the purpose of the publications and forms.

***It should be noted that while this section is lengthy, it provides the basis and background information for PCG’s research and analysis that is presented further along in this report. Analysis begins in Section 4.***

## Introduction to IRS Publications and Forms

***What are IRS Publications?***

IRS Publications are informational booklets written by the Internal Revenue Service that give taxpayers detailed guidance on tax issues. The IRS provides updates to the publications as needed due to tax law changes. The publications are written in a comprehensive way to address a specific tax topic.

The various IRS Publications provide guidelines specific to the topic being covered in that Publication. A summary of specific information found in certain Publications are highlighted within this report. Typically, the following information is presented in each Publication:

* Future Developments;
* What's New;
* Reminders;
* Introduction;
* How to Get Tax Help; and
* Index.

***What are IRS Tax Forms?***

IRS Forms are documents that individuals and businesses use to report all financial activities to the federal government for purpose of determining their tax liability. Each tax form has instructions to provide guidance on what to record on each line item.

***IRS Tax Help***

The IRS provides many sources for tax help. Sources found on <https://www.irs.gov/> can provide guidance regarding questions about a tax issue, help preparing your tax return and free download of publications, forms, or instructions. The following are additional links to the IRS website that may be helpful:

* Go to <https://www.irs.gov/help/telephone-assistance> for a variety of tools that will help you get answers to some of the most common tax questions.
* Go to <https://www.irs.gov/help/ita> for the Interactive Tax Assistant, a tool that will ask you questions on a number of tax law topics and provide answers. You can print the entire interview and the final response for your records. You may also be able to access tax law information in your electronic filing software.
* Go to <https://www.irs.gov/forms-instructions> to search for forms, instructions, and publications. You will find details on 2019 tax changes and hundreds of interactive links to help you find answers to your questions.
* Go to <https://www.irs.gov/newsroom/irs-new-media-1> to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services.

The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate in-comes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors.[[2]](#footnote-3)

The IRS website shows options for preparing and filing tax returns, including:

* **Free File.** Go to <https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free> to determine if you qualify to use brand-name software to prepare and *e-file* your federal tax return for free.
* **VITA.** Go to <https://www.irs.gov/individuals/free-tax-return-preparation-for-you-by-volunteers>, download the free IRS2Go app, or call 800-906-9887 to find the nearest VITA location for free tax return preparation.
* **TCE.** Go to <https://www.irs.gov/individuals/free-tax-return-preparation-for-you-by-volunteers>, download the free IRS2Go app, or call 888-227-7669 to find the nearest TCE location for free tax return preparation.

The following **IRS YouTube** channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

* <https://www.youtube.com/user/irsvideos>
* <https://www.youtube.com/user/IRSvideosmultilingua>
* <https://www.youtube.com/user/IRSvideosASL>.

**Watching IRS videos.** The IRS Video portal (<https://www.irsvideos.gov/>) contains video and audio presentations for individuals, small businesses, and tax professionals.

Review the **How to Get Tax Help** Section of the IRS Publications to obtain further information on how the IRS can help with Tax questions, completing tax returns, tax guidelines, tax appeals, etc.

What Is The Taxpayer Advocate Service (TAS)?

TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Their job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the Taxpayer Bill of Rights. Review the following link for information regarding TAS: <https://taxpayeradvocate.irs.gov/about-tas/taxpayer-rights>

TAS can help you resolve problems that you can’t resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

* Your problem is causing financial difficulty for you, your family, or your business;
* You face (or your business is facing) an immediate threat of adverse action; or
* You’ve tried repeatedly to contact the IRS, but no one has responded, or the IRS hasn’t responded by the date promised.

TAS has offices in every state, the District of Columbia, and Puerto Rico. Your local advocate’s number is in your local directory and at <https://taxpayeradvocate.irs.gov/Contact-Us>. You can also call them at 877-777-4778.

TAS also has a website, Tax Reform Changes, which shows you how the new tax law may change your future tax filings and helps you plan for these changes. The information is categorized by tax topic in the order of the IRS Form 1040 or 1040-SR. Go to <https://taxchanges.us/> for more information.[[3]](#footnote-4)

Low Income Taxpayer Clinics (LITCs) are independent from the IRS. LITCs represent individuals whose income is below a certain level and need to resolve tax problems with the IRS, such as audits, appeals, and tax collection disputes. In addition, clinics can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee. To find a clinic near you, visit <https://www.irs.gov/advocate/low-income-taxpayer-clinics> or see IRS Pub. 4134, Low Income Taxpayer Clinic List.[[4]](#footnote-5)

## Understanding Tax Credits Versus Tax Deductions

When determining tax deductions and other advantages that are available to individuals or businesses it is important to understand the difference between tax deductions and tax credits. Some of the IRS allowances that result in a reduced tax liability have the flexibility of being taken as a deduction or credit.

*Tax Deduction*

A tax deduction is an amount that is deducted from adjusted gross income (AGI), thereby lowering taxable income and the tax rate that is used to calculate tax liability.

*Tax Credit*

A tax credit gives a dollar-for-dollar reduction in one’s tax bill. A credit reduces the “bottom line” tax liability. There are three types of tax credits:

* Refundable.
* Nonrefundable.
* Partially refundable

Refundable credits are treated as if they were tax payments made during the year to the IRS. If a refundable credit is greater than one’s total tax obligation, the IRS will send the difference in the form of a tax refund. For example, if one’s tax liability is $2,000 and they have a tax credit in an amount of $3,000, a refund in an amount of $1,000 would be issued to the taxpayer.

Nonrefundable tax credits reduce one’s tax liability; however, if a tax credit is greater than the actual tax bill, one would not receive the difference in the form of a tax refund. For example, if one owes $2,000 in taxes and is eligible for a $3,000 credit, the credit reduces the tax bill to zero, but one would not receive a refund for the remaining $1,000 tax credit.

A partially refundable tax credit can be used to reduce the tax bill to zero and from there, one may be eligible to get a refund on a portion of the remaining credit.

Tax credits have a greater impact on reducing tax liability and will provide a greater savings than tax deductions. **If there is an option between taking a tax deduction or a tax credit, it is more beneficial to take the tax credit.**

## Summary of Selected IRS Publications

### Publication 501 Dependents, Standard Deduction, and Filing Information

Publication 501 discusses tax rules pertaining to filing a federal income tax return. The guidance in this publication should be used to complete IRS Forms 1040 and 1040-SR. Information in Publication 501 is provided regarding:

* Who must file a Federal Income Tax Return;
* Who should file a Federal Income Tax Return;
* Filing Status;
* Dependent Status;
* Social Security Numbers for Dependents;
* Standard Deduction;
* 2019 Standard Deduction Tax Tables; and
* How to Get Tax Help.

**Who Must File a Federal Tax Return?**

“If you are a U.S. citizen or resident alien, whether you must file a federal income tax re-turn depends on your gross income, your filing status, your age, and whether you are a dependent.”[[5]](#footnote-6)

**Who Should File a Federal Tax Return?**

“Even if you don't have to file, you should file a tax return if you can get money back.”[[6]](#footnote-7)

**Filing Status**

Your filing status generally depends on whether you are single or married. Whether you are single or married is determined at the end of your tax year, which is December 31 for most taxpayers.[[7]](#footnote-8)

One must determine what filing status to use when completing the federal income tax form. “Filing status is important in determining whether you must file a return and whether you may claim certain deductions and credits. It also helps determine your standard deduction and tax rate.”[[8]](#footnote-9)

1. **Dependent Status**

The term “dependent” means:

* A qualifying child, or
* A qualifying relative.[[9]](#footnote-10)

The determination of whether a dependent is a “qualifying child” is based on meeting five tests:

* Relationship
* Age
* Residency
* Support
* Joint Return

The determination of whether a dependent is a “qualifying relative” is based on meeting four tests:

* Not a qualifying child test
* Member of Household or Relationship Test
* Gross Income Test
* Support Test

The tests to determine if a person is a qualifying child or qualifying relative are defined in Publication 501, along with example cases.

There are certain situations where a person may be a dependent of another person; however, the dependent is still required to file an income tax return. Refer to Publication 501*, Table 2. 2019 Filing Requirements for Dependents[[10]](#footnote-11)* to determine if the dependent is required to file an income tax return. Further, Publication 501 provides guidance on “Other Situations” that would require one to file a federal income tax return.

*Table 2. Filing Requirements for Dependents*

* If your parent (or someone else) can claim you as a dependent, use this table to see if you must file a return.
* Unearned income includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. Earned income includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. Gross income is the total of your unearned and earned income.
* If your gross income was $4,200 or more, you usually can't be claimed as a dependent unless you are a qualifying child. For details, see Dependents.
* Single dependents—Were you either age 65 or older or blind?
	+ If ‘No’ you must file a return if any of the following apply.
		- Your unearned income was more than $1,100.
		- Your earned income was more than $12,200.
		- Your gross income was more than the larger of—
		- $1,100, or
		- Your earned income (up to $11,850) plus $350.
	+ If ‘Yes’ you must file a return if any of the following apply.
		- Your unearned income was more than $2,750 ($4,400 if 65 or older and blind).
		- Your earned income was more than $13,850 ($15,500 if 65 or older and blind).
		- Your gross income was more than the larger of—
		- $2,750 ($4,400 if 65 or older and blind), or
		- Your earned income (up to $11,850) plus $2,000 ($3,650 if 65 or older and blind).
* Married dependents—Were you either age 65 or older or blind?
	+ If ‘No’ you must file a return if any of the following apply.
		- Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
		- Your unearned income was more than $1,100.
		- Your earned income was more than $12,200.
		- Your gross income was more than the larger of—
		- $1,100, or
		- Your earned income (up to $11,850) plus $350.
	+ If ‘Yes’ you must file a return if any of the following apply.
		- Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
		- Your unearned income was more than $2,400 ($3,700 if 65 or older and blind).
		- Your earned income was more than $13,500 ($14,800 if 65 or older and blind).
		- Your gross income was more than the larger of—
		- $2,400 ($3,700 if 65 or older and blind), or
		- Your earned income (up to $11,850) plus $1,650 ($2,950 if 65 or older and blind).

Publication 501 describes “Other Situations When You Must File a 2019 Return”. Refer to Table 3 of Publication 501 (2019).

Table 2: IRS

|  |  |
| --- | --- |
| **1.** | Single dependents who are blind can have $1,650 more in unearned or earned income before they are required to file an income tax return. |
| **2.** | Married dependents who are blind can have $1,300 more in unearned or earned income before they are required to file an income tax return. |

**Standard Deduction**

Publication 501, under the Standard Deduction section, outlines the rules and dollar amounts for the standard deduction. The standard deduction is a benefit for taxpayers who do not itemize their deductions on the tax return. Also, this section discusses the standard deduction for taxpayers who are blind or age 65 or older; as well as, special rules that limit the standard deduction available to dependents. The guidance provided in this section may help one to decide whether they would have a lower tax liability by taking the 1) standard deduction or 2) itemizing their deductions. One method should be chosen based on the individual’s personal situation.

“Most taxpayers have a choice of either taking a standard deduction or itemizing their deductions. If you have a choice, you can use the method that gives you the lower tax.”

“The standard deduction is a dollar amount that reduces your taxable income. It is a benefit that eliminates the need for many taxpayers to itemize actual deductions, such as medical expenses, charitable contributions, and taxes, on Schedule A (Form 1040 or 1040-SR). The standard deduction is higher for taxpayers who:

* Are 65 or older, or
* Are blind.

*You benefit from the standard deduction if your standard deduction is more than the total of your allowable itemized deductions.”[[11]](#footnote-12)*

**Standard Deduction Amount**

***The standard deduction amount depends on your filing status, whether you are 65 or older or blind, and whether another taxpayer can claim you as a dependent.*** Generally, the standard deduction amounts are adjusted each year for inflation.[[12]](#footnote-13) Refer to Publication 501, Table 6 for the *Standard Deduction Chart for Most People*. Refer to Publication 501, Table 7 for the *Standard Deduction Chart for People Born Before January 2, 1955, or Who Are Blind*. Refer to Publication 501, Table 8 for the *Standard Deduction Worksheet for Dependents*.

For the IRS 2019 Tax year, if an individual is blind, and files a 1040 Form or 1040-SR Form, the following amount may be added to the Standard Deduction (depending on the individual’s filing status and whether considered a dependent on another person’s tax return):

|  |  |  |  |
| --- | --- | --- | --- |
| IF Your Filing Status is: | Additional Blind Deduction | Total Standard Deduction including additional amount for being Blind | Other Requirements |
| Single | $1,650 | $13,850 |  |
| Married filing jointly | $1,300 | $25,700 |  |
| Qualifying widow(er) | $1,300 | $25,700 | If someone else can claim you (or your spouse if filing jointly) as a dependent, use the Standard Deduction Worksheet for Dependents to calculate Total Standard Deduction. |
| Married filing separately | $1,300 | $13,500 | You can check the boxes for “Your spouse” if your filing status is married filing separately and your spouse had no income, isn't filing a return, and can't be claimed as adependent on another person's return. |
| Head of household | $1,650 | $20,000 |  |

Table 3: Visual Impairment Standard Deduction

|  |  |
| --- | --- |
| **1.** | For filing status, Single or Head of Household there is an additional Standard Deduction of $1,650. |
| **2.** | For filing status, Married Filing Jointly, Qualifying Widow(er), or Married Filing Separately there is an additional Standard Deduction of $1,300. |

### Publication 502, Medical and Dental Expenses

Publication 502 explains the itemized deduction for medical and dental expenses that one can claim on Schedule A of the IRS tax Form 1040 or 1040-SR (senior return). This publication explains “what expenses, and whose expenses, you can and can't include in figuring the deduction. It explains how to treat reimbursements and how to figure the deduction. It also tells you how to report the deduction on your tax return and what to do if you sell medical property or receive damages for a personal injury.”[[13]](#footnote-14)

The portion of one’s medical and dental expenses that exceed 7.5% of adjusted gross income (AGI) can be deducted on Schedule A of Form 1040 or 1040-SR.

Information in Publication 502 is provided regarding:

* What are Medical Expenses?
* What Expenses Can You Include This Year?
* How Much of the Expenses Can You Deduct?
* Whose Medical Expenses Can You Include?
* What Medical Expenses Are Includible?
* What Expenses Aren't Includible?
* How Do You Treat Reimbursements?
* How Do You Figure and Report the Deduction on Your Tax Return?
* Sale of Medical Equipment or Property
* Damages for Personal Injuries
* Impairment-Related Work Expenses
* Health Insurance Costs for Self-Employed Persons
* Health Coverage Tax Credit
* How To Get Tax Help

*Definition of Medical Expenses*

Publication 502 defines medical expenses as: “Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and for the purpose of affecting any part or function of the body. These expenses include payments for legal medical services rendered by physicians, surgeons, dentists, and other medical practitioners. They include the costs of equipment, supplies, and diagnostic devices needed for these purposes. Medical expenses include dental expenses, and in this publication the term “medical expenses” is often used to refer to medical and dental expenses. Medical care expenses must be primarily to alleviate or prevent a physical or mental disability or illness. They don't include expenses that are merely beneficial to general health, such as vitamins or a vacation. Medical expenses include the premiums you pay for insurance that covers the expenses of medical care, and the amounts you pay for transportation to get medical care. Medical expenses also include amounts paid for qualified long-term care services and limited amounts paid for any qualified long-term care insurance contract. You can't include medical expenses that were paid by insurance companies or other sources.” [[14]](#footnote-15)

*What Expenses Can You Include This Year?*

You can include only the medical and dental expenses you paid this year. You can't include medical expenses that were paid by insurance companies or other sources.

*How Much of the Expenses Can You Deduct?*

Generally, you can deduct on Schedule A (Form 1040 or 1040-SR) only the amount of your medical and dental expenses that is more than 7.5% of your AGI.

*Whose Medical Expenses Can You Include?*

You can generally include medical expenses you pay for yourself, as well as those you pay for someone who was your spouse or your dependent either when the services were provided or when you paid for them.

*What Medical Expenses Are Includible?*

Publication 502 provides a list of categories of medical expenses that you can include in figuring your medical expense deduction. Specifically, some of the categories listed include expenses directly related to visual impairment such as:

* Braille Books and Magazines
* You can include in medical expenses the part of the cost of Braille books and magazines for use by a visually impaired.
* Capital Expenses
* You can include in medical expenses amounts you pay for special equipment installed in a home, or for improvements, if their main purpose is medical care for you, your spouse, or your dependent.
* Capital Expense Worksheet A is provided to help figure the amount of medical expenses due to a home improvement.
* Contact Lenses
* You can include in medical expenses amounts you pay for contact lenses needed for medical reasons. You can also include the cost of equipment and materials required for using contact lenses, such as saline solution and enzyme cleaner.
* Eye Exam
* You can include in medical expenses the amount you pay for eye examinations.
* Eyeglasses
* You can include in medical expenses amounts you pay for eyeglasses and contact lenses needed for medical reasons.
* Eye Surgery
* You can include in medical expenses the amount you pay for eye surgery to treat defective vision, such as laser eye surgery or radial keratotomy.
* Guide Dog or Other Service Animal
* You can include in medical expenses the costs of buying, training, and maintaining a guide dog or other service animal to assist a visually impaired or hearing disabled person, or a person with other physical disabilities. In general, this includes any costs, such as food, grooming, and veterinary care, incurred in maintaining the health and vitality of the service animal so that it may perform its duties.
* Health Maintenance Organization (HMO)
* You can include in medical expenses amounts you pay to entitle you, your spouse, or a dependent to receive medical care from an HMO.
* Insurance Premiums
* You can include in medical expenses insurance premiums you pay for policies that cover medical care. You can't include in medical expenses insurance premiums that were paid and for which you are claiming a credit or deduction.
* Don't include in your medical and dental expenses any insurance premiums paid by an employer-sponsored health insurance plan unless the premiums are included on your Form W-2, Wage and Tax Statement. Also, don't include any other medical and dental expenses paid by the plan unless the amount paid is included on your Form W-2.
* Special Education
* You can include in medical expenses fees you pay on a doctor's recommendation for a child's tutoring by a teacher who is specially trained and qualified to work with children who have learning disabilities caused by mental or physical impairments, including nervous system disorders.
* You can include in medical expenses the cost (tuition, meals, and lodging) of attending a school that furnishes special education to help a child to overcome learning disabilities.
* Overcoming the learning disabilities must be the primary reason for attending the school, and any ordinary education received must be incidental to the special education provided.
* Special education includes Teaching Braille to a visually impaired person.
* Transportation
* You can include in medical expenses amounts paid for transportation primarily for, and essential to, medical care.
* You can include in medical expenses amounts you pay for transportation to another city if the trip is primarily for, and essential to, receiving medical services. You may be able to include up to $50 for each night for each person. You can include lodging for a person traveling with the person receiving the medical care. For example, if a parent is traveling with a sick child, up to $100 per night can be included as a medical expense for lodging.

*What Expenses Aren't Includible?*

Publication 502 provides a list of some items that cannot be included in figuring the medical expense deduction.

*How Do You Treat Reimbursements?*

You can include in medical expenses only those amounts paid during the tax year for which you received no insurance or other reimbursement. You must reduce your total medical expenses for the year by all reimbursements for medical expenses that you receive from insurance or other sources during the year.

*How Do You Figure and Report the Deduction on Your Tax Return?*

You report your medical expense deduction on Schedule A (Form 1040 or 1040-SR). You should keep records of your medical and dental expenses to support your deduction.

*Sale of Medical Equipment or Property*

If you deduct the cost of medical equipment or property in one year and sell it in a later year, you may have a taxable gain. The taxable gain is the amount of the selling price that is more than the adjusted basis of the equipment or property. Publication 502 provides worksheets D and E to assist with determining the basis and the gain/loss on the sale of medical equipment or property.

*Damages for Personal Injuries*

If you receive an amount in settlement of a personal injury suit, part of that award may be for medical expenses that you deducted in an earlier year. If it is, you must include that part in your income in the year you receive it to the extent it reduced your taxable income in the earlier year.

*Impairment-Related Work Expenses*

If you are a person with disabilities, you can take a business deduction for expenses that are necessary for you to be able to work. If you take a business deduction for these impairment-related work expenses, they aren't subject to the 7.5% limit that applies to medical expenses.

Impairment-related expenses are those ordinary and necessary business expenses that are:

* Necessary for you to do your work satisfactorily;
* For goods and services not required or used, other than incidentally, in your personal activities; and
* Not specifically covered under other income tax laws.

Where to report. If you are self-employed, deduct the business expenses on the appropriate form (Schedule C, E, or F) used to report your business income and expenses.

If you are an employee, complete Form 2106, Employee Business Expenses. Enter on Schedule A (Form 1040 or 1040-SR) that part of the amount on Form 2106 that is related to your impairment.

The following is an example shown in Publication 502:You are blind. You must use a reader to do your work. You use the reader both during your regular working hours at your place of work and outside your regular working hours away from your place of work. The reader's services are only for your work. You can deduct your expenses for the reader as business expenses. This example demonstrates that the item is purchased primarily for business purposes; however, it may be used incidentally in personal activities.

*Health Insurance Costs for Self-Employed Persons*

If you were self-employed and had a net profit for the year, you may be able to deduct, as an adjustment to income, amounts paid for medical and qualified long-term care insurance on behalf of yourself, your spouse, your dependents, and your children who were under age 27 at the end of 2019. The insurance plan must be established under your trade or business and the deduction can't be more than your earned income from that trade or business.

*Health Coverage Tax Credit*

The health coverage tax credit (HCTC) is a tax credit that pays 72.5% of qualified health insurance premiums for eligible individuals and their families. The HCTC acts as partial reimbursement for premiums paid for qualified health insurance coverage.[[15]](#footnote-16)

Table 4: Visual Impairment Medical and Dental

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| There are many categories of medical expenses that may pertain to one who is visually impaired. It may be beneficial to log and maintain support for medical expenses throughout the year in order to determine if expenses should be deducted on Schedule A versus taking the standard deduction on the individual income tax return. |

### Publication 503, Child and Dependent Care Expenses

Publication 503 explains the tests one must meet to claim the credit for child and dependent care expenses. It explains how to figure and claim the credit.

One may be able to claim the credit if they pay someone to care for their dependent who is under age 13 or for their spouse or dependent who isn't able to care for himself or herself. The credit can be up to 35% of their expenses. To qualify, one must pay these expenses so they can work or look for work.

Information in Publication 503 is provided regarding:

* Can You Claim the Credit?
* How to Figure the Credit
* How to Claim the Credit
* Do You Have Household Employees?

*Can You Claim the Credit?*

In order to claim the credit for child and dependent care expenses, one must file Form 1040, 1040-SR, or 1040-NR. In order to claim the credit for child and dependent care expenses, one must meet all the following tests:

* Was the care for one or more qualifying persons?
* Was there Earned Income for the year?
* Were expenses paid in order to work or look for work?
* Payments cannot be made to someone who can be claimed as a dependent
* Payments cannot be made to spouse or parent of qualifying person (who is under age 13)
* Payments cannot be made to child who was under age 19
* Filing status may be single, head of household, or qualifying widow(er) with dependent child. If married, one must file a joint return, unless an exception applies.
* Must identify the care provider on the tax return.
* Cannot claim credit If excluding/deducting at least $3,000 of dependent care benefits.

*How to Figure the Credit*

The credit is a percentage of your work-related expenses. Your expenses are subject to the earned income limit and the dollar limit. The percentage is based on adjusted gross income.

*How to Claim the Credit*

One must complete Form 2441 and attach it to their Form 1040, 1040-SR, or 1040-NR. One should keep records of their work-related expenses. Also, if their dependent or spouse isn't able to care for himself or herself, their records should show both the nature and length of the disability.

*Do You Have Household Employees?*

If you pay someone to come to your home and care for your dependent or spouse, you may be a household employer. If you are a household employer, you will need an employer identification number (EIN) and you may have to pay employment taxes. If the individuals who work in your home are self-employed, you aren't liable for any of the taxes discussed in the Household employees’ section of this publication. Self-employed persons who are in business for themselves aren't household employees. Usually, you aren't a household employer if the person who cares for your dependent or spouse does so at his or her home or place of business. If you use a placement agency that exercises control over what work is done and how it will be done by a baby-sitter or companion who works in your home, the worker isn't your employee.

If you have a household employee, you may be subject to:

* Social security and Medicare taxes,
* Federal unemployment tax, and
* Federal income tax withholding

You may also have to pay state unemployment tax. Contact your state unemployment tax office for information. You should also find out whether you need to pay or collect other state employment taxes or carry worker's compensation insurance.[[16]](#footnote-17)

Table 5: Childcare and Dependents

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| **1.** | Consumers who are visually impaired or their families should be familiar with the allowed child and dependent care expense credits. |
| **2.** | Arrangements to have someone come to one’s home to care for their dependent or spouse should be carefully evaluated to determine any potential household employee tax liability. |

### Publication 524, Credit for the Elderly or the Disabled

If you qualify, you may be able to reduce the tax you owe by taking the credit for the elderly or the disabled. This publication explains: Who qualifies for the credit for the elderly or the disabled, and How to figure the credit. You may be able to take the credit for the elderly or the disabled if: You are age 65 or older at the end of 2019, or You retired on permanent and total disability and have taxable disability income.

Information in Publication 524 is provided regarding:

* Are You Eligible for the Credit?
* Credit Figured for You
* Figuring the Credit, Yourself

*Are You Eligible for the Credit?*

You can take the credit for the elderly or the disabled if you meet both of the following requirements.

* You are a qualified individual.
* Your income isn't more than certain limits.

In Publication 524, *Figure A* provides a decision chart to help one determine if they are a qualified individual. If one is a qualified individual, *Table 1* provides income limits based on 1) adjusted gross income or 2) total of nontaxable social security and other nontaxable pension(s), annuities, or disability income.

One is a qualified individual for this credit if a U.S. citizen or resident alien, and either of the following applies.

* Individual is age 65 or older at the end of 2019.
* Individual is age 65 at the end of 2019 and all three of the following statements are true.
	+ Individual retired on permanent and total disability
	+ Individual received taxable disability income for 2019
	+ On January 1, 2019, individual had not reached mandatory retirement age

*Credit Figured for You*

You can figure the credit yourself or the IRS will figure it for you. If you can take the credit and you want the IRS to figure the credit for you, follow the instructions provided in this publication:

* Check the appropriate box in Part I of Schedule R;
* Complete Part II;
* Complete Part III lines 11 and 13, if they apply to you;
* Then, check box **c** on Schedule 3 (Form 1040 or 1040-SR), line 6, and enter “CFE” on the line next to that box; and
* Attach Schedule R to your return.[[17]](#footnote-18)

*Figuring the Credit Yourself*

The *Credit for the Elderly or the Disabled* is figured on Schedule R and submitted with Form 1040 or 1040-SR. Publication 524 provides an example of a Physician’s Statement the individual should have completed by their physician and kept for their individual records to support the credit claimed on Schedule R. Publication 524 provides step by step instructions on performing the calculations in order to determine the credit. Also, examples are provided for further clarification on what information should be used in performing the calculations.

Table 6: Credit for Elderly and Disabled

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| One who is visually impaired should be aware of the Credit for the Elderly and Disabled and determine if they are eligible to claim the credit. The credit varies depending on taxpayer’s income.  |

### Publication 525 Taxable and Nontaxable Income

You can receive income in the form of money, property, or services. Publication 525 discusses many kinds of income and explains whether they are taxable or nontaxable. It includes discussions on employee wages and fringe benefits, and income from bartering, partnerships, S corporations, and royalties. It also includes information on disability pensions, life insurance proceeds, and welfare and other public assistance benefits.

In most cases, an amount included in your income is taxable unless it is specifically exempted by law. Income that is taxable must be reported on your return and is subject to tax. Income that is nontaxable may have to be shown on your tax return but isn’t taxable.

Information in Publication 525 is provided regarding:

* Employee Compensation;
* Special Rules for Certain Employees;
* Business and Investment Income;
* Sickness and Injury Benefits;
* Miscellaneous Income; and,
* Repayments.

*Employee Compensation*

Gross income must include everything you receive in payment for personal services. In addition to wages, salaries, commissions, fees, and tips, this includes other forms of compensation such as fringe benefits and stock options.

*Special Rules for Certain Employees*

Publication 525 discusses special rules for people in certain types of employment such as, members of the clergy, members of religious orders, people working for foreign employers, military personnel, and volunteers.

*Business and Investment Income*

This section of the publication provides information on the treatment of income from certain rents and royalties, and from interests in partnerships and S corporations.

*Sickness and Injury Benefits*

In most cases, you must report as income any amount you receive for personal injury or sickness through an accident or health plan that is paid for by your employer.

If you retired on disability, you must include in income any disability pension you receive under a plan that is paid for by your employer. You must report your taxable disability payments as wages on Form 1040 or 1040-SR until you reach minimum retirement age. Minimum retirement age is generally the age at which you can first receive a pension or annuity if you aren't disabled. Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension or annuity.

The publication provides information on certain conditions where military and government disability pensions are excluded from taxable income. One may be able to exclude from income amounts they receive as a pension, annuity, or similar allowance for personal injury or sickness resulting from active service in one of the following government services.

* The armed forces of any country.
* The National Oceanic and Atmospheric Administration.
* The Public Health Service.
* The Foreign Service.

Publication 525 provides guidance regarding the following types of payments or reimbursements that are not taxable:

* In most cases, long-term care insurance contracts are treated as accident and health insurance contracts. Amounts you receive from them (other than policyholder dividends or premium refunds) are excludable in most cases from income as amounts received for personal injury or sickness.
* Amounts you receive as workers' compensation for an occupational sickness or injury are fully exempt from tax if they're paid under a workers' compensation act or a statute in the nature of a workers' compensation act. The exemption also applies to your survivors.
* Payments received under Federal Employees' Compensation Act (FECA) for personal injury or sickness, including payments to beneficiaries in case of death, are not taxable.
* For benefits and coverage provided after March 23, 2010, the value of any qualified Indian health care benefit is not taxable. These benefits include any health service or benefits provided by the Indian Health Service, amounts to reimburse medical care expenses provided by an Indian tribe, coverage under accident or health insurance, and any other medical care provided by an Indian tribe.
* Compensatory damages you receive for physical injury or physical sickness, whether paid in a lump sum or in periodic payments.
* Benefits you receive under an accident or health insurance policy on which either you paid the premiums, or your employer paid the premiums, but you had to include them in your income.
* Disability benefits you receive for loss of income or earning capacity as a result of injuries under a no-fault car insurance policy.
* Compensation you receive for permanent loss or loss of use of a part or function of your body, or for your permanent disfigurement. This compensation must be based only on the injury and not on the period of your absence from work. These benefits aren't taxable even if your employer pays for the accident and health plan that provides these benefits.
* A reimbursement for medical care is generally not taxable. However, it may reduce your medical expense deduction.

*Miscellaneous Income*

You may have taxable income from certain transactions even if no money changes hands. For example, you may have taxable income if you lend money at a below-market interest rate or have a debt you owe canceled.

*Repayments*

If you had to repay an amount that you included in your income in an earlier year, you may be able to deduct the amount repaid from your income for the year in which you repaid it. [[18]](#footnote-19)

Table 7: Taxable and Non Taxable Income

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| Consumers who are visually impaired, along with their families, should become familiar with types of payments and reimbursements that are not considered taxable income, such as listed under the “Sickness and Injury” section of Publication 525.  |

### Publication 509, Miscellaneous Deductions

This publication explains that you can no longer claim any miscellaneous itemized deductions, unless you fall into one of the qualified categories of employment claiming a deduction relating to unreimbursed employee expenses. Miscellaneous itemized deductions are those deductions that would have been subject to the 2% of adjusted gross income limitation. You can still claim certain expenses as itemized deductions on Schedule A (Form 1040, 1040-SR, or 1040-NR) or as an adjustment to income on Form 1040 or 1040-SR.

Information in Publication 509 is provided regarding:

* Deductions for Unreimbursed Employee Expenses
* Expenses you can't deduct
* Expenses you can deduct
* How to report your deductions

*Deductions for Unreimbursed Employee Expenses*

You can no longer claim a deduction for unreimbursed employee expenses unless you fall into one of the following categories of employment or have certain qualified educator expenses.

* Armed Forces reservists
* Qualified performing artists
* Fee-basis state or local government officials
* Employees with impairment-related work expenses

Unreimbursed employee expenses for individuals in these categories of employment are deducted as adjustments to gross income.

Impairment-related work expenses are the allowable expenses of an individual with physical or mental disabilities for attendant care at his or her place of employment. They also include other expenses in connection with the place of employment that enable the employee to work.

If you have a physical or mental disability that limits your being employed, or substantially limits one or more of your major life activities, such as performing manual tasks, walking, speaking, breathing, learning, and working, you can deduct your impairment-related work expenses.

*Expenses you can't deduct*

Publication 529 provides a list of expenses that are traditionally nondeductible under the Internal Revenue Code.

*Expenses you can deduct*

Publication 529 provides a list of items that can be deducted as itemized deductions on Schedule A, part of Form 1040, 1040-SR, or 1040-NR. One of these deductions includes impairment-related work expenses of persons with disabilities.

*How to report your deductions*

Claim most deductions as an itemized deduction on your Schedule A (Form 1040 or 1040-SR), or Form 1040-NR (Schedule A)[[19]](#footnote-20)

Table 8: Misc. Deductions

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| Impairment-related work expenses are allowable and may be entered on Schedule A as an itemized deduction. Consumers with visual impairments should determine whether they have encountered these types of expenses, and if so, include them on their Schedule A itemized deductions worksheet. The Schedule A itemized deductions worksheet would be compared to the standard deduction to determine which allowance is greater and should be used in completing the individual’s income tax return. |

### Publication 535, Business Expenses

This publication discusses common business expenses and explains what is and is not deductible. Business expenses are the costs of carrying on a trade or business, and they are usually deductible if the business is operated to make a profit.

Publication 535 references other IRS Tax Publications that are useful in completing a business tax return.

Information in Publication 535 is provided regarding:

* Deducting Business Expenses;
* Employees' Pay;
* Rent Expense;
* Interest;
* Taxes;
* Insurance;
* Costs You Can Deduct or Capitalize;
* Amortization;
* Depletion;
* Business Bad Debts; and
* Other Expenses.

A business expense must be both ordinary and necessary in order to be an allowed deduction. An ordinary expense is one that is common and accepted in the taxpayer’s industry. A necessary expense is one that is helpful and appropriate for the taxpayer’s trade or business. An expense does not have to be indispensable to be considered necessary.

**Publication 535, Section 2. Employee’s Pay**

You can generally deduct the amount you pay your employees for the services they perform. The pay may be in cash, property, or services. It may include wages, salaries, bonuses, commissions, or other noncash compensation such as vacation allowances and fringe benefits.

You may be able to claim employment credits, such as the credits listed below, if you meet certain requirements. You must reduce your deduction for employee wages by the amount of employment credits that you claim. For example, The Work Opportunity Credit, reported on Form 5884.

Employee benefit programs include the following.

* Accident and health plans
* Adoption assistance
* Cafeteria plans
* Dependent care assistance
* Education assistance
* Life insurance coverage
* Welfare benefit funds

A business can generally deduct amounts spent on employee benefit programs on the applicable line of the tax return. For example, if a business provides dependent care by operating a dependent care facility for their employees, deduct the costs in whatever categories they pertain to (utilities, salaries, etc.).

**Publication 535, Section 7. Costs You Can Deduct or Capitalize**

A business can generally deduct a cost as a current business expense by subtracting it from income in either the year incurred, or the year paid.

If a cost is capitalized, the business may be able to recover it over a period of years through periodic deductions for amortization, depletion, or depreciation. When a cost is capitalized, the business can add it to the basis of property to which it relates.

**Barrier Removal Costs**

A business can elect to deduct the costs of making a facility or public transportation vehicle more accessible to and usable by those who are disabled or elderly. The business must own or lease the facility or vehicle for use in connection with the trade or business.

*Deduction limit* **-** The most the business can deduct as a cost of removing barriers to the disabled and the elderly for any tax year is $15,000. However, the business can add any costs over this limit to the basis of the property and depreciate these excess costs. By depreciating the costs, the business will deduct a portion of the expense over time.

*Qualification standards* **–** the business can deduct costs as a current expense only if the barrier removal meets the guidelines and requirements issued by the Architectural and Transportation Barriers Compliance Board under the Americans with Disabilities Act (ADA) of 1990. You can view the ADA at <https://www.ada.gov/2010_regs.htm>.

The following is a list of some architectural barrier removal costs that can be deducted.

* Ground and floor surfaces
* Walks
* Parking lots
* Ramps
* Entrances
* Doors and doorways
* Stairs
* Floors
* Toilet rooms
* Water fountains
* Public telephones
* Elevators
* Controls
* Signage
* Alarms
* Protruding objects
* Symbols of accessibility

You can find the ADA checklist for architectural barrier removal at <https://www.ada.gov/racheck.pdf>.

The costs for removal of transportation barriers from rail facilities, buses, and rapid and light rail vehicles are deductible. You can find the guidelines and requirements for transportation barrier removal at <https://www.transit.dot.gov/>.

Expenses of removing any barrier not covered by the above standards must meet all three of the following tests.

* The removed barrier must be a substantial barrier to access or use of a facility or public transportation vehicle by persons who have a disability or are elderly.
* The removed barrier must have been a barrier for at least one major group of persons who have a disability or are elderly (such as people who are blind, deaf, or wheelchair users).
* The barrier must be removed without creating any new barrier that significantly impairs access to or use of the facility or vehicle by a major group of persons who have a disability or are elderly.

*How to make the election -* If you elect to deduct your costs for removing barriers to the disabled or the elderly, claim the deduction on your income tax return (partnership return for partnerships) for the tax year the expenses were paid or incurred. Identify the deduction as a separate item. The election applies to all the qualifying costs you have during the year, up to the $15,000 limit. If you make this election, you must maintain adequate records to support your deduction.

For your election to be valid, you must generally file your return by its due date, including extensions. However, if you timely filed your return for the year without making the election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding extensions). Clearly indicate the election on your amended return and write “Filed pursuant to section 301.9100-2.” File the amended return at the same address you filed the original return. Your election is irrevocable after the due date, including extensions, of your return.

*Disabled access credit - If* you make your business accessible to persons with disabilities and your business is an eligible small business, you may be able to claim the disabled access credit. If you choose to claim the credit, you must reduce the amount you deduct or capitalize by the amount of the credit. For more information, see Form 8826.[[20]](#footnote-21)

Table 9: Business Expense

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| **1.** | A business can generally deduct a cost as a current business expense by subtracting it from income or the cost may be capitalized with portions of the expense deducted over a period of years. Business expenses may include work related expenses in order to accommodate the work environment for disabled employees or customers. |
| **2.** | A business may be able to claim employment credits, like the Work Opportunity Credit. If employment credits are claimed, the amount of the credit should be reduced from employee wages expense. |
| **3.** | A business who owns or leases a facility or vehicle in the course of their trade or business can deduct from income the cost of making their facility or public transportation vehicle more accessible to and usable by those who are disabled or elderly. The “Barrier Removal Costs” may be deducted in the tax year up to a maximum of $15,000 for that tax year. The portion of the Barrier Removal costs greater than $15,000 may be added to the basis of the property and depreciated over time |
| **4.** | Eligible small business may claim the “Disabled Access Credit” if they make their business accessible to persons with disabilities. The amount of the credit would need to be deducted from other deductions (like the Barrier Removal Costs deduction) or the asset/property capitalized amount. |

### Publication 596, Earned Income Credit (EIC)

The earned income credit (EIC) is a tax credit for certain people who work and have earned income under $55,952. A tax credit usually means more money in your pocket. It reduces the amount of tax you owe. The EIC may also give you a refund.

Publication 596 provides the following information regarding the *Earned Income Credit*:

* Rules for Everyone;
* Rules If You Have a Qualifying Child;
* Rules If You Do Not Have a Qualifying Child;
* Figuring and Claiming the EIC;
* Disallowance of the EIC;
* Detailed Examples;
* EIC Eligibility Checklist; and
* 2019 EIC Table.

One can determine if they meet the requirements to claim the EIC by reviewing the guidelines below. [[21]](#footnote-22)

* First, you must meet all the following rules.
	+ Your adjusted gross income (AGI) must be less than:
		- $50,162 ($55,952 for married filing jointly) if you have three or more qualifying children,
		- $46,703 ($52,493 for married filing jointly) if you have two qualifying children,
		- $41,094 ($46,884 for married filing jointly) if you have one qualifying child, or
		- $15,570 ($21,370 for married filing jointly) if you don’t have a qualifying child.
	+ You must have a valid social security number by the due date of your 2019 return (including extensions).
	+ Your filing status can’t be married filing separately.
	+ You must be a U.S. citizen or resident alien all year.
	+ You can’t file Form 2555 (relating to foreign earned income).
	+ Your investment income must be $3,600 or less.
	+ You must have earned income.
* Second, you must meet all the rules in one of these lists, whichever applies.
	+ If You Have a Qualifying Child:
		- Your child must meet the relationship, age, residency, and joint return tests.
		- Your qualifying child can’t be used by more than one person to claim the EIC.
		- You can’t be a qualifying child of another person.
	+ If You Do Not Have a Qualifying Child:
		- You must be at least age 25 but under age 65.
		- You can’t be the dependent of another person.
		- You can’t be a qualifying child of another person.
		- You must have lived in the United States more than half of the year.
* Third, you must meet the following rules.
	+ Your earned income must be less than:
		- $50,162 ($55,952 for married filing jointly) if you have three or more qualifying children,
		- $46,703 ($52,493 for married filing jointly) if you have two qualifying children,
		- $41,094 ($46,884 for married filing jointly) if you have one qualifying child, or
		- $15,570 ($21,370 for married filing jointly) if you don’t have a qualifying child.

This publication provides step by step guidance regarding how to complete the EIC worksheets and where to record the information on Tax Form 1040 or 1040-SR. If one determines they qualify for the EIC and need assistance completing the appreciate fields in the tax form, the IRS will figure the EIC amount for the person completing the tax return.

This credit is called the “earned income” credit because, to qualify, you must work and have earned income. If you are married and file a joint return, you meet this rule if at least one spouse works and has earned income. If you are an employee, earned income includes all the taxable income you get from your employer.

*Disability Benefits*

If you retired on disability, taxable benefits you receive under your employer's disability retirement plan are considered earned income until you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you could have received a pension or annuity if you weren’t disabled. You must report your taxable disability payments on line 1 of Form 1040 and 1040-SR until you reach minimum retirement age. Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension and aren't considered earned income. Report taxable pension payments on Form 1040 or 1040-SR, lines 4c and 4d.

Disability insurance payments. Payments you received from a disability insurance policy that you paid the premiums for are not earned income. It doesn't matter whether you have reached minimum retirement age.[[22]](#footnote-23)

Table 10: Earned Income Credit

|  |  |
| --- | --- |
| **1.** | A taxpayer may be eligible to claim the “Earned Income Tax Credit” (EIC) if *earned* income is within certain limits, use of allowed filing status, and meet dependent/non-dependent qualifications.  |
| **2.** | If one determines they qualify for the EIC and need assistance completing the appropriate fields in the tax form, the IRS will figure the EIC amount for the person completing the tax return. |
| **3.** | If one retires on disability, taxable benefits received under the employer's disability retirement plan are considered *earned income* until the person reaches a minimum retirement age. |
| **4.** | The EIC is a “refundable” credit because it does not only reduce one’s tax liability; but also, may provide a refund up and above one’s tax liability. |
| **5.** | It’s important to understand what is considered “earned income”, as only earned income may be used to determine if one qualified for the EIC credit. |

### Publication 907, Tax Highlights for Persons With Disabilities

This publication concerns people with disabilities and those who care for them. It includes highlights about:

* Income,
* Itemized deductions,
* Tax credits,
* Household employers,
* Business tax incentives, and
* ABLE accounts.

**Income**

All income is taxable unless it is specifically excluded by law**.** This section of the publication provides information regarding taxable and non-taxable income.

*Dependent Care Benefits*

Dependent care benefits include the following.

* Amounts your employer paid directly to you or your care provider for the care of your qualifying person(s) while you worked.
* The fair market value of care in a daycare facility provided or sponsored by your employer.
* Pre-tax contributions you made under a dependent care flexible spending arrangement.

If your employer provides dependent care benefits under a qualified plan, you may be able to exclude these benefits from your income. If you are self-employed and receive benefits from a qualified dependent care benefit plan, you are treated as both employer and employee. Therefore, you would not get an exclusion from wages. Instead, you would get a deduction. This section provides further information regarding what may be deducted or excluded and defines who is a qualifying person.

*Social Security and Railroad Retirement Benefits*

If the only income you received during the year was your social security or equivalent Tier 1 RRTA benefits (railroad retirement), your benefits generally are not taxable. If you received income during the year in addition to social security or equivalent Tier 1 RRTA benefits, part of your benefits may be taxable depending of on income amount and tax filing status.

Social security benefits do not include SSI payments, which are not taxable. Do not include these payments in your income.

*Disability Pensions*

If you retired on disability, you must include in income any disability pension you receive under a plan that is paid for by your employer. You must report your taxable disability payments as wages until you reach minimum retirement age. Minimum retirement age is generally the age at which you can first receive a pension or annuity if you are not disabled. Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension or annuity.

*Military and Government Disability Pensions*

Generally, you must report disability pensions as income, but do not include certain military and government disability pensions. Do not include disability benefits you receive from the Department of Veterans Affairs (VA) in your gross income.

*Other Payments*

You may receive other payments that are related to your disability. The following payments are not taxable.

* Benefit payments from a public welfare fund, such as payments due to blindness.
* Workers' compensation for an occupational sickness or injury if paid under a workers' compensation act or similar law.
* Compensatory (but not punitive) damages for physical injury or physical sickness.
* Disability benefits under a “no-fault” car insurance policy for loss of income or earning capacity as a result of injuries.
* Compensation for permanent loss or loss of use of a part or function of your body, or for your permanent disfigurement.
* Long-term care insurance contracts are generally treated as accident and health insurance contracts. Amounts you receive from them (other than policyholder dividends or premium refunds) are generally excludable from income as amounts received for personal injury or sickness.

**Itemized deductions**

If you file Form 1040 or 1040-SR, to lower your taxable income you can generally claim the standard deduction or itemize your deductions, such as medical expenses, using Schedule A (Form 1040 or 1040-SR). For impairment-related work expenses, use the appropriate business form (1040 Schedules C, E, and F; Form 2106, Employee Business Expenses).

*Medical Expenses*

When figuring your deduction for medical expenses, you can generally include medical and dental expenses you pay for yourself, your spouse, and your dependents.

Medical expenses are the cost of diagnosis, cure, mitigation, treatment, or prevention of disease, and the costs for treatments affecting any part or function of the body. They include the costs of equipment, supplies, diagnostic devices, and transportation for needed medical care and payments for medical insurance.

You can deduct only the amount of your medical and dental expenses that is more than 7.5% of your adjusted gross income shown on Form 1040 or 1040-SR, line 8b.

*Impairment-Related Work Expenses*

If you are disabled, you can take a business deduction for expenses that are necessary for you to be able to work. If you take a *business deduction* for these impairment-related work expenses, they are not subject to the 7.5% limit that applies to medical expenses. You are disabled if you have:

* A physical or mental disability (for example, blindness or deafness) that functionally limits your being employed; or
* A physical or mental impairment (including, but not limited to, a sight or hearing impairment) that substantially limits one or more of your major life activities, such as performing manual tasks, walking, speaking, breathing, learning, or working.

Impairment-related expenses are those ordinary and necessary business expenses that are:

* Necessary for you to do your work satisfactorily;
* For goods and services not required or used, other than incidentally, in your personal activities; and
* Not specifically covered under other income tax laws

**Tax credits**

Tax credits may lower your tax amount due and may be refundable.

*Child and Dependent Care Credit*

If you pay someone to care for your dependent under age 13 or your spouse or dependent who is not able to care for themselves, you may be able to get a credit of up to 35% of your expenses. To qualify, you must pay these expenses so you can work or look for work. You can claim the credit on Form 1040 or 1040-SR. You figure the credit on Form 2441.

*Credit for the Elderly or the Disabled*

You may be able to claim this credit if you are a U.S. citizen or a resident alien and either of the following applies.

* You were 65 or older at the end of 2019.
* You were under 65 at the end of 2019 and retired on permanent or total disability.

You can claim the credit on Form 1040 or 1040-SR. You figure the credit on Schedule R (Form 1040 or 1040-SR), Credit for the Elderly or the Disabled.

*Earned Income Credit*

This credit is for people who work and have a qualifying child or who meet other qualifications. To figure the credit, use the worksheet in the Instructions for Forms 1040 and 1040-SR. If you have a qualifying child, also complete Schedule EIC (Form 1040 or 1040-SR), Earned Income Credit, and attach it to your Form 1040 or 1040-SR.

*Credit for Qualified Retirement Savings Contribution*

You may be able to claim the credit for qualified savings contributions (also known as the saver’s credit) of up to $1,000 (up to $2,000 if filing jointly) if you make eligible contributions to your ABLE account. This is a nonrefundable credit, which means the amount of the credit in any year can’t be more than your tax that you would otherwise pay (not counting any refundable credits) for any tax year. If your tax liability is reduced to zero because of other non-refundable credits, such as the credit for child and dependent care expenses, then you won’t be entitled to this credit.

Further, this section of the publication provides guidance as to whether one is eligible to claim the credit.

**Household employers**

If you pay someone to work in your home, such as a baby-sitter or housekeeper, you may be a household employer who must pay employment taxes. Refer to information presented in Publication 503 above. Additional information on this topic can be found in Publication 926, Household Employer’s Tax Guide.

**Business tax incentives**

If you own or operate a business, or you are looking for work, you should be aware of the following tax incentives for businesses to help persons with disabilities.

* *Deduction for costs of removing barriers to the disabled and the elderly* - This is a deduction a business can take for making a facility or public transportation vehicle more accessible to and usable by persons who are disabled or elderly. See chapter 7 of Pub. 535, Business Expenses.
* *Disabled access credit* - This is a nonrefundable tax credit for an eligible small business that pays or incurs expenses to provide access to persons with disabilities. The expenses must be to enable the eligible small business to comply with the Americans with Dis-abilities Act of 1990. See Form 8826, Disabled Access Credit.
* *Work opportunity credit* - This credit provides businesses with an incentive to hire individuals from targeted groups that have a particularly high unemployment rate or other special employment needs. One targeted group consists of vocational rehabilitation referrals. These are individuals who have a physical or mental disability that results in a substantial handicap to employment. See Form 5884, Work Opportunity Credit.

**ABLE accounts**

The Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 (ABLE) was enacted to help blind or disabled people save money in a tax-favored ABLE account to maintain health, independence, and quality of life. The eligible blind or disabled individual is the designated beneficiary and owner of the account. The account is used to provide for qualified disability expenses.

*Annual contribution limit - For* 2019, the maximum amount that can be contributed to your ABLE account remains at $15,000.

* Age Requirement
* Disability Determination

*Age Requirement*

In order to qualify to open an ABLE account, the onset of symptoms of a person’s disability must have occurred before age 26.

*Disability Determination*

Individuals who meet the age of onset requirement must also have a qualifying disability. Physical, intellectual and mental disabilities may qualify someone to open an ABLE account. If you are entitled to Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) based on blindness or disability, you are automatically eligible to establish an ABLE account.

You do not need to produce a copy of your diagnosis in order to open an ABLEnow account. However, a record of your SSI/SSDI eligibility or signed diagnosis must be readily available for verification.

The following is some general information about ABLE accounts:

* An ABLE account is generally disregarded for purposes of determining eligibility for benefits under Supplemental Security Income (SSI) and certain other means-tested federal programs. For further information, go to <https://www.ssa.gov/>.
* A designated beneficiary is limited to only one ABLE account at a time (for exceptions, see Program-to-pro-gram transfer and Rollover, later).
* Earnings in an ABLE account aren't taxed unless a distribution exceeds a designated beneficiary’s qualified disability expenses. A designated beneficiary doesn't include distributions for qualified disability expenses in their income. Qualified disability expenses include any expenses incurred at a time when the designated beneficiary is an eligible individual. The expenses must relate to blindness or disability, including expenses for maintaining or improving health, independence, or quality of life.
* Contributions to an ABLE account are not tax deductible and must be in cash or cash equivalents. Anyone, including the designated beneficiary, can contribute to an ABLE account. An ABLE account is subject to an annual contribution limit and a cumulative balance limit.
* Upon your death, as a designated beneficiary, any state may file a claim (either with the person with signature authority over your ABLE account or the executor of your estate) for the amount of the total medical assistance paid to you under the state's Medicaid plan after you (or a person with authority to open an ABLE account on your behalf) established an ABLE account. The amount paid in satisfaction of such a claim is not a taxable distribution from your ABLE account. Further, this amount is paid to the state only after all your qualified disability expenses have been paid from your ABLE account and the amount paid to satisfy the state's claim is reduced by the amount of all premiums you paid to a Medicaid Buy-In program under that state's Medicaid plan.

*Requirements of an ABLE Account*

As a disabled individual, you may be eligible if either of the following applies.

* You are entitled to benefits based on blindness or disability under Title II or XVI of the Social Security Act.
* You file a disability certification with your qualified ABLE program, including your diagnosis relating to your relevant impairment or impairments signed by a physician (as defined in section 1861(r) of the Social Security Act). You must certify one of the following:
* You have a medically determinable physical or mental impairment which results in marked and severe functional limitations, which
1. can be expected to result in death, or
2. lasted or can be expected to last for a continuous period of not less than 12 months.
* You are blind within the meaning of section 1614(a)(2) of the Social Security Act.

If you’re unable to establish an ABLE account, your agent, under a power of attorney, or if none, your parent or legal guardian can establish it for you. But only you, the designated beneficiary, can have any interest in the account during your lifetime.

If you establish an ABLE account and later cease to be an eligible individual because, for example, your impairment goes into remission, then beginning the first day of the next year no contributions may be accepted by your ABLE account. If you cease to be an eligible individual, then for each tax year in which you are not an eligible individual, the account will continue to be an ABLE account, and the ABLE account will not be deemed to be distributed. Contributions may resume after the impairment recurs.

Distributions from your ABLE account during a period you’re no longer an eligible individual aren’t for qualified disability expenses and therefore are possibly subject to tax. The earnings portion of a distribution (determined under section 72) made from your ABLE account to you when you’re no longer an eligible individual may be taxable.

Total annual contributions to an ABLE account are limited to the annual gift tax exclusion amount ($15,000 for 2019), plus certain employed ABLE account beneficiaries may make an additional contribution up to the lesser of these amounts:

* The designated beneficiary’s compensation for the tax year, or
* The poverty line amount of $12,140 in the continental United States, $13,960 in Hawaii and $15,180 in Alaska.
* The designated beneficiary’s contribution limit is determined using the poverty guideline applicable in the state of the designated beneficiary’s residence.
* An employed designated beneficiary isn’t eligible for the increased contribution limit for the tax year if any contribution is made on behalf of the employee to a qualified defined contribution plan (within the meaning of section 414(i)), a section 403(b) plan, or a section 457(b) plan.
* Also, contributions may not exceed an annual cumulative limit, which is the same as the state’s section 529 qualified tuition program limit.

If amounts contributed to your ABLE account are greater than the annual contribution limit, the excess contributions and the earnings on those contributions must be returned to the contributors.

The cumulative limit for an ABLE account is set by each state’s ABLE program. If your ABLE account exceeds the cumulative limit, the state’s ABLE program will return to the contributors the contributions that caused your account to go over the limit, and notify you of this action by the due date of your income tax return, which is generally April 15 (including extensions).

You can take distributions from your ABLE account to pay for any qualified disability expenses such as expenses for maintaining or improving your health, independence, or quality of life. Qualified disability expenses include those for education, housing, transportation, employment training and support, assistive technology, personal support services, health, prevention and well-ness, financial management, administrative services, legal fees, expenses for oversight and monitoring, and funeral and burial expenses.

If distributions from your ABLE account during a year aren't more than your qualified disability expenses for that year, no amount is taxable for that year. If the total amount distributed during a year is more than your qualified disability expenses for that year, the earnings portion of the distribution is included in your income for that year

*Rollover*

You don't include in your gross income any amount distributed to you from your ABLE account if it's rolled over within 60 days to another ABLE account established for you or for an eligible family member and no other rollover has been made within the previous 12 months. Eligible family member means a sibling only, whether by blood or by adoption, and includes a brother, sister, stepbrother, stepsister, half-brother, and half-sister.

Rollovers may be made without penalty from a section 529 tuition account to a section 529A ABLE account if the beneficiary of the ABLE account is the designated beneficiary of the tuition account or is an eligible family member.

*Information returns for ABLE accounts*.

Form 1099-QA, Distributions From ABLE Accounts. An ABLE program issues this form to you to report all distributions made from your ABLE account.

Form 5498-QA, ABLE Account Contribution Information. An ABLE program issues this form to you annually to report contributions (including rollovers), fair market value of the account, opening of a new account, certification of a qualified account, and your disability code.

Table 11: Persons with Disabilities

|  |  |
| --- | --- |
|  | **Income** - It is important to understand the difference between taxable and non-taxable income. Taxable and non-taxable income may play a role is qualifying for various tax credits.* Employer provides dependent care benefits under a qualified plan, you may be able to exclude these benefits from your income.
* Self-employed and receive benefits from a qualified dependent care benefit plan would get a deduction.
* Generally, your social security or equivalent Tier 1 RRTA benefits (railroad retirement are not taxable. Note that part of your benefits may be taxable depending of on income amount and tax filing status
* SSI payments, which are not taxable and should not be included in income.
* Generally, disability pension you receive under a plan that is paid for by your employer is taxable until you reach minimum retirement age. Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension or annuity
* Disability benefits you receive from the Department of Veterans Affairs (VA) are not include in gross income
* Benefit payments from a public welfare fund, such as payments due to blindness, are not taxable
* The following disability related payments are not taxable:
* Workers' compensation for an occupational sickness or injury if paid under a workers' compensation act or similar law.
* Compensatory (but not punitive) damages for physical injury or physical sickness.
* Disability benefits under a “no-fault” car insurance policy for loss of income or earning capacity because of injuries.
* Compensation for permanent loss or loss of use of a part or function of your body, or for your permanent disfigurement.
* Generally, amounts received for personal injury or sickness from long-term care insurance contracts may be excluded from income.
 |
|  | **Itemized Deductions** – serve to lower taxable income and may be used instead of the standard deduction. There’s value to compare which deduction allows for the best advantage in lowering tax liability. Expenses that are allowable as itemized deductions can be identified; and if the sum is greater than the standard deduction, it may be more beneficial to use the itemized deduction when completing the individual tax return Form 1040 or 1040-SR.* Medical - One can deduct only the amount of medical and dental expenses that is more than 7.5% of adjusted gross income.
* Impairment-related Work Expenses - Can be taken as a business deduction instead of including these expenses with medical expenses.
* Impairment-related work expenses that are reported as business deductions are not subject to the 7.5% limit that applies to medical expenses.
* If an employee, complete Form 2106, Employee Business Expenses. Enter on Schedule A (Form 1040 or 1040-SR) that part of the amount on Form 2106 that is related to your impairment.
* If self-employed, deduct the impairment-related business expenses on the appropriate form (Schedule C, E, or F) used to report your business income and expenses.
 |
|  | **Tax Credits** - may lower your tax amount due and may be refundable.* *Child and Dependent Care Credit* - expenses paid for a dependent so that one may work. One may be able to get a credit of up to 35% of dependent care expenses. Complete Form 2441 and enter allowed figure on Form 1040 or 1040-SR. This is a non-refundable credit.
* *Credit for the Elderly or the Disabled* - One may be able to claim this credit if they are 65 years old or older, or under 65 years old and retired on permanent or total disability. Complete Schedule R and enter figure on Form 1040 or 1040-SR. This is a non-refundable credit.
* *Credit for Qualified Retirement Savings Contribution* - credit for qualified savings contributions to ABLE account. [Individual filling status credit amount is $1,000 and Married filing jointly credit amount is $2,000]. This is a non-refundable credit.
 |
|  | **Household Employers** - If you pay someone to work in your home, such as a baby-sitter or housekeeper, you may be a household employer who has to pay employment taxes. Before hiring someone to take care of a dependent or spouse, consider the following: Will the care take place in your home or someplace else? If in your home, is the person self-employed (have their own business), Are you using an agency? If so, does that agency exercise control over the person’s work? It is one’s advantage if the care taker is not a “household employee”. |
|  | **Business Tax Incentives** *-* the following are tax incentives for businesses to help persons with disabilities:* *Deduction for costs of removing barriers to the disabled and the elderly –* a business expense deduction for costs incurred to make a facility or public transportation vehicle more accessible to and usable by persons who are disabled or elderly.
* *Disabled access credit* - *nonrefundable tax credit for eligible small business that pays or incurs expenses to provide access to persons with disabilities.*
* *Work opportunity credit -* credit provides businesses with an incentive to hire individuals from targeted groups that have a particularly high unemployment rate or other special employment needs.
 |
|  | **ABLE Accounts** - Achieving a Better Life Experience Act of 2014 (ABLE) was enacted to help blind or disabled people save money in a tax-favored ABLE account to maintain health, independence, and quality of life. |

### Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments (for Individuals)

Publication 4681 outlines regulation pertaining to the cancelation of an individual’s debt(s). Generally, if an individual owes a debt to someone and that debt is cancelled or reduced to less than its full amount (a portion of the debt is forgiven) it is treated as income for tax purposes; and, subsequently, the individual may have to pay tax on this income. Federal legislation changed this rule for student loan indebtedness. “If student loan indebtedness is discharged after 2017 on account of the student’s death or disability, the discharged debt may not have to be included in income.”[[23]](#footnote-24)

The new guidance explains that, in certain circumstances, an individual may be able to exclude amounts from gross income because of:

* Student loan cancellation due to meeting certain work requirements,
* Student loan cancellation due to death or permanent and total disability, or
* Student loan repayment assistance.

The individual’s loan must have been made by a qualified lender to assist the student in attending an eligible educational institution to exclude the canceled student loan debt from income. Qualified lenders include the following:

* The United States, or an instrumentality or agency thereof.
* A state, territory, or possession of the United States; or the District of Columbia; or any political subdivision thereof.
* A public benefit corporation that is tax exempt under section 501(c)(3); and that has assumed control of a state, county, or municipal hospital; and whose employees are considered public employees under state law.
* An eligible educational institution, if the loan is made:
	1. As part of an agreement with an entity described in (1), (2), or (3) under which the funds to make the loan were provided to the educational institution; or
	2. Under a program of the educational institution that is designed to encourage its students to serve in occupations with unmet needs or in areas with unmet needs where the services provided by the students (or former students) are for or under the direction of a governmental unit or a tax-exempt section 501(c)(3) organization.
* Further, for loans canceled on account of the death or total and permanent disability of the student only, the lender of a private education loan (as defined in section 140(7) of the Consumer Credit Protection Act) may be a qualified lender.[[24]](#footnote-25)

Table 12: Cancelled Debt

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| If an individual’s student loan debt is cancelled or a portion of it forgiven due to the student’s death or permanent and total disability, the discharged debt may not have to be included as income on the tax return. |

## Summary of Selected IRS Forms

### Form 3800, General Business Credit

Form 3800 must be filed to claim any of the *general business credits*. The general business credit is limited to a business’ tax liability. An eligible small business is:

* A corporation whose stock is not publicly traded,
* A partnership, or
* A sole proprietorship.

The average annual gross receipts of the corporation, partnership, or sole proprietorship for the 3-tax-year period preceding the tax year of the credit cannot exceed $50 million. Gross receipts for any tax year must be reduced by returns and allowances made during the year.

The amount of the allowable general business credit determined on Form 3800 is reported as follows:

* Individuals. Schedule 3 (Form 1040 or 1040-SR), line 6, or Form 1040-NR, line 51
* Corporations. Form 1120, Schedule J, Part I, line 5c
* Estates and trusts. Form 1041, Schedule G, line 2b

Form 3800 has data entered in Section part III:

* 1e: from the Disabled access form 8826, and
* 4b: Work opportunity form 5884.

*Limitation on Certain Credits* - When reporting the disabled access credit from Form 8826 on Part III, line 1e, do not enter more than $5,000 in column (c) of Parts III with box A (General Business Credit From a Non-Passive Activity) or B (General Business Credit From a Passive Activity) checked, combined. The aggregate amount is limited to $5,000 credit.

The instructions for Form 3800 include provisions for carryforward or carryback of unused credit. Refer to the instructions for guidance on unused credit. [[25]](#footnote-26)

### Form 5884, Work Opportunity 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. WOTC helps targeted workers move from financial dependency into self-sufficiency as they earn a steady income and become taxpayers. At the same time, employers who hire employees from the targeted groups can reduce their income tax liability. The credit is limited to the amount of the business income tax liability or social security tax owed. 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. A taxable business may apply the credit against its business income tax liability, and the normal carry-back and carry-forward rules apply. [[26]](#footnote-27)

Targeted group employee. An employee is a member of a targeted group if he or she began working for the business before 2021 and is a:

* Long-term family assistance recipient,
* Qualified recipient of Temporary Assistance for Needy Families (TANF),
* Qualified veteran,
* Qualified ex-felon,
* Designated community resident,
* Vocational rehabilitation referral,
* Summer youth employee,
* Supplemental Nutrition Assistance Program (SNAP) benefits (food stamps) recipient,
* SSI recipient, or
* Qualified long-term unemployment recipient.

To claim the credit, the business must ask for and be issued a certification for each employee from the state workforce agency (SWA) [formerly known as the state employment security agency (SESA)] of the state in which the business is located. The certification proves that the employee is a member of a targeted group. The business must either:

* Receive the certification by the day the individual begins work; or
* Complete Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit, on or before the day the business offers the individual a job and receives the certification before the credit can be claimed. If the business completes Form 8850, it must be signed by the business and the individual, and submitted to the SWA of the state in which the business is located (where the employee works) by the 28th calendar day after the date the individual begins work.

The instructions define qualified wages as having the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA). There’s a minimum requirement that the employee has completed at least 120 hours of service for the employer. The credit isn’t available for certain employees who are related to the employer or work more than 50% of the time outside of a trade or business of the employer (for example, a care sitter working in the employer’s home). Additionally, the credit generally isn’t available for employees who’ve previously worked for the employer.

There are different rules and credit amounts for certain employees.

* *Regarding first year wages* –
* The maximum credit available for the first-year wages is $2,400 for each employee.
* The maximum credit available for long-term family assistance recipients is $4,000.
* The maximum credit available for certain veterans is $4,800, $5,600 or $9,600.
* *Regarding second year wages* –
* For long-term family assistance recipients, there’s a 50% credit for up to $10,000 of second-year wages. This results in a total maximum credit, over two years, of $9,000.
* Summer youth employees’ wages must be paid for services performed during any 90-day period between May 1 and September 15. The maximum WOTC credit available for summer youth employees is $1,200 per employee.

Other specifics about the Work Opportunity Tax Credit:

* Work opportunity credit may be allowed for partnerships, S corporations, cooperatives, estates, and trusts.
* Use Form 5884 to claim the work opportunity credit for qualified first- and/or second-year wages you paid to or incurred for targeted group employees during the tax year.
* After completing form 5884, also record the credit amount for Partnerships and S corporations on Schedule K to claim the work opportunity credit.
* After completing form 5884, also record the credit amount for all other business organization (not Partnerships or S corporations) on Form 3800, Part III, line 4b to claim the work opportunity credit.
* After completing form 5884, also record the credit amount for Cooperatives, estates and trusts on Form 3800, Part III, line 4b to claim the work opportunity credit.
* Wage amounts equal to the Work Opportunity Tax Credit claimed amount cannot be included as business expense deductions.
* The credit is subject to the overall limits on the amount of business credits that can be taken in any tax year, but a 1-year carryback and 20-year carryforward of unused business credits is allowed.
* The Instructions for completing Form 5884 provides guidance on what to record on each line item on the form.[[27]](#footnote-28)

### Form 8826, Disabled Access Credit

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. Partnerships and S corporations, report this amount on Schedule K. All others report this amount on Form 3800.

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 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:

* To remove barriers that prevent a business from being accessible to or usable by individuals with disabilities;
	+ Barrier removal expense paid or incurred in connection with any facility first placed in service after November 5, 1990 are not eligible expenditures.
* To provide qualified interpreters or other methods of making audio materials available to hearing-impaired individuals;
* To provide qualified readers, taped texts, and other methods of making visual materials available to individuals with visual impairments; or
* To acquire or modify equipment or devices for individuals with disabilities.

The expenditures must be reasonable and necessary to accomplish the above purposes.[[28]](#footnote-29)

# Tax Deductions or advantages to Individuals who are Blind or visually impaired

The following section cites specific tax benefits available to people who are blind or visually impaired who reside in the Commonwealth of Massachusetts. It includes summary information on a variety of benefits, including tax advantaged savings accounts, tax deductions, tax credits, and other benefits. It also includes information detailing who qualifies for these benefits. The purpose of this section is to better inform readers as to what specific benefits they may be able to claim or make use of to maximize their potential tax benefit.

## Federal

PCG researched IRS Publications and Forms in effort to identify Federal tax deductions or other advantages to individuals who are blind or visually impaired. We have identified the following deductions or credits available to visually impaired taxpayers and have provided a description for each of them:

* Requirement to file Individual Tax Return
* Individual Tax Return Standard Deduction
* Itemized Deduction of Medical Expenses
* Child and Dependent Care Tax Credit
* Credit for the Elderly or Disabled
* Payments or Reimbursements that are Not Taxable Income
* Ability to Claim Impairment-Related Work Expenses
* Claiming the Earned Income Credit
* ABLE Accounts
* Cancellation of Student Loan Debt Due to Disability

**Requirement to file Individual Tax Return**

Single dependents who are blind can have $1,650 more in unearned or earned income before they are required to file an income tax return.

Married dependents who are blind can have $1,300 more in unearned or earned income before they are required to file an income tax return.

**Individual Tax Return Standard Deduction**

For filing status Single or Head of Household there is an additional Standard Deduction of $1,650.

For filing status Married Filing Jointly, Qualifying Widow(er), or Married Filing Separately there is an additional Standard Deduction of $1,300.

**Itemized Deduction of Medical Expenses**

There are many categories of medical expenses that may pertain to one who is visually impaired. It may be beneficial to log and maintain support (for example receipts or invoices) for medical expenses throughout the year in order to determine if expenses should be deducted on Schedule A versus taking the standard deduction on the individual income tax return.

**Child and Dependent Care Tax Credit**

Consumers or their families who are visually impaired should become familiar with the allowed child and dependent care expense credits.

Arrangements to have someone come to one’s home to care for their dependent or spouse should be carefully evaluated to determine any potential household employee tax liability.

**Credit for the Elderly or Disabled**

One who is visually impaired should be aware of the Credit for the Elderly and Disabled and determine if they are eligible to claim the credit. The credit varies depending on the taxpayer’s income.

**Payments or Reimbursements that are Not Taxable Income**

Consumers who are visually impaired, along with their families, should become familiar with types of payments and reimbursements that are not considered taxable income, such as listed under the “Sickness and Injury” section of Publication 525. Understanding whether payments or reimbursements received are considered taxable or not may help the individual reduce their tax liability and may allow them to qualify for various tax credits.

**Ability to Claim Impairment-Related Work Expenses**

Impairment-related work expenses are allowable as a tax deduction and may be taken as an itemized deduction or a business deduction. There are different rules in figuring the deduction amount, depending on how it is reported in the Individual Form 1040 or 1040-SR tax return. The following describes the two methods:

* If the expense is taken as an *itemized deduction*, it would be included with medical expenses. Medical expenses are subject to the 7.5% limit (this means only the portion of medical/dental expenses that exceed 7.5% of adjusted gross income (AGI) can be included as itemized deductions). Consumers with visual impairments should determine whether they have encountered these types of expenses, and if so, include them on their “Schedule A” itemized deductions worksheet. The “Schedule A” itemized deductions worksheet should be compared to the standard deduction to determine which allowance is greater, and therefore, should be used in completing the individual’s income tax return.
* Impairment-related Work Expenses can be taken as a *business deduction* instead of including these expenses with medical expenses. Impairment-related work expenses that are reported as business deductions are not subject to the 7.5% limit that applies to medical expenses.
* If an employee, complete Form 2106, Employee Business Expenses. Enter on Schedule A (Form 1040 or 1040-SR) that part of the amount on Form 2106 that is related to one’s impairment.
* If self-employed, deduct the impairment-related work expenses on the appropriate form (Schedule C, E, or F) used to report one’s business income and expenses.

**Claiming the Earned Income Credit**

A taxpayer may be eligible to claim the “Earned Income Tax Credit” (EIC) if *earned* income is within certain limits, use of allowed filing status, and meet dependent/non-dependent qualifications. If one determines they qualify for the EIC and need assistance completing the appropriate fields in the tax form, the IRS will figure the EIC amount for the person completing the tax return. If one retires on disability, taxable benefits received under the employer's disability retirement plan are considered *earned income* until the person reaches a minimum retirement age. The EIC is a “refundable” credit because it does not only reduce one’s tax liability; but also, may provide a refund up and above one’s tax liability. It’s important to understand what is considered “earned income”, as only earned income may be used to determine if one qualified for the EIC credit.

**ABLE Accounts**

ABLE accounts are tax advantaged savings accounts created for individuals with disabilities. They are not taxed like regular income, and, importantly to many individuals with low earning potential, savings placed into an ABLE account are not considered when determining eligibility for many federal benefits such as SSDI, HUD vouchers, or SNAP benefits. This makes them an ideal solution for family members hoping to identify funds to assist individuals with disabilities, or to pay for medical expenses.

ABLE account funds may be spent on “qualified disability expenses”. These qualified expenses include education, basic needs such as housing and food, transportation, health care and personal support expenses, and “other expenses which help improve health, independence and quality of life”[[29]](#footnote-30).

All states are free to operate ABLE accounts and to set up their own limitations and systems for providing these accounts, within a set of guidelines. The account guidelines for Massachusetts were examined by PCG, and compared to MCB’s chosen peer states - Florida, Michigan, Minnesota, New Jersey, Pennsylvania and Virginia - across a number of factors for which states are allowed to set up independent guidelines. Note that Virginia has two forms of ABLE accounts that are considered separately as they have separate conditions.

*Account Limits*: Massachusetts account rules allow for the lowest limit of funds in an ABLE account of any peer state except for New Jersey. Massachusetts also has the highest average income of any peer state, again except for New Jersey, according to the 2018 American Communities Surveys, which could lead to individuals having a greater ability to contribute to these accounts for family members. The account limit for Massachusetts and each peer state appear in the chart below.

Figure 1: Able Account Limits by State

*Contribution Limit*: All ABLE accounts have an identical contribution limit. An individual can contribute up to $15,000 to another person’s ABLE account and not report it as a gift under IRS rules. Otherwise, limits are identical to the state’s 529 savings account rule. Massachusetts has a cumulative contribution limit of $400,000 for 529 savings accounts. Account owners who do not participate in a retirement program may contribute to their own account up to their full annual wage, or the federal poverty level, whichever is lower.

*Account Fees*: Many states charge ABLE account holders a variety of fees related to the establishment, maintenance, and use of their accounts. However, compared to peer states, Massachusetts has notably few fees. In fact, Massachusetts does not charge any fees for opening an ABLE account, maintaining the account, transferring funds, withdrawing or disbursing funds, or any other listed activity. All other peer states charge fees from $5 to $50 for at least some of these activities. This means that Massachusetts ABLE account users can keep more of the money they earn, and less is spent on administrative costs.

*Investment Options*: These low fees also come with the highest range of choices for investment options. ABLE accounts function like 401k or retirement accounts - money is invested so that it might grow and return a yield over time. Massachusetts users of ABLE accounts can choose from eight funds into which to place their money, the most of any peer state along with Florida. Other states had between five (Michigan, Virginia ABLENow) and seven investment options (Virginia ABLEAmerica).

*Debit/Purchasing Card***:** Except for Florida, all peer states and Massachusetts had the option of an account linked debit card allowing the account holder to make purchases directly from the account. Massachusetts account holders benefit by having no fee associated with this account feature. Only Virginia ABLENow features a fee-free debit card option among peer states.

**Cancellation of Student Loan Debt Due to Permanent and Total Disability**

If an individual’s student loan debt is cancelled or a portion of it forgiven due to the student’s death or permanent and total disability, the discharged debt may not have to be included as income on the individual’s tax return.

## Massachusetts-Specific

PCG worked to identify tax benefits, deductions, credits and other advantages available from the Commonwealth of Massachusetts to help individuals who are blind or visually impaired. These tax benefits would apply equally to all qualifying businesses in the Commonwealth.

According to the Massachusetts Department of Revenue, the Commonwealth allows for a $2,200 exemption from state taxes every year for individuals and spouses who are legally blind[[30]](#footnote-31). This does not require any special documentation when filing taxes, though the Department of Revenue may request such documents on review. Additionally, anyone with an MCB identification card may request and receive a Blind Access CharlieCard. This allows free access to all Massachusetts Bay Transportation Authority (MBTA) services and routes for the card holder.

## Peer State Benefits

Peer states offer a variety of tax benefits designed to be used by individuals who are blind. Some of these are mirrored in PCG’s findings of the Massachusetts tax code, while others are very different. A brief summary of the findings follows.

Florida has some of the most generous benefits designed for individuals who are blind. In addition to a general $500 property tax exemption, homestead residents in Florida who meet certain gross income guidelines are given total exemption from property taxes on that residence[[31]](#footnote-32).

Michigan provides blind and disabled individuals with a property tax credit assuming their total household resources are under $61,000. This credit is up to $3,500. However, its claim process is quite complex, requiring additional forms to file and requiring the filer to calculate their credit amount on a sliding household resources scale that may make it more difficult to claim[[32]](#footnote-33).

New Jersey offers two tax benefits to individuals who are blind. The first of these is a $250 property tax deduction, similar to other states. New Jersey also allows individuals who are blind a higher income level while still qualifying for the state’s Homestead Tax Credit, increasing the maximum allowable income from $75,000 to $150,000. Currently, in New Jersey, the Homestead Tax Credit has been frozen and cannot be claimed due to COVID-19’s effect on state budgets. If investigating the possibility of lobbying the Massachusetts legislature for new tax benefits, MCB should consider as a priority convincing the legislature to protect those benefits currently available as budgets tighten[[33]](#footnote-34).

Virginia allows an additional general deduction of $800 for blind tax filers[[34]](#footnote-35).

During the course of our research PCG did not discover any additional Minnesota or Pennsylvania tax benefits designed for individuals who are blind or visually impaired.

## Local or Municipal

In order to determine the availability of local or municipal tax deductions or advantages to individuals who are blind, PCG gathered results from its municipal survey as well as information from a retired municipal tax assessor via an interview. See Section 2: Study Overview and Methodology section of this report for more detail about data collection.

According to the results of the municipal survey created by PCG and MCB, local governments in Massachusetts offer some tax benefits to individuals who are blind or visually impaired. All municipalities in Massachusetts offer one of two personal property exemptions as part of the Massachusetts Tax Code, Chapter 57. This is either a property exemption of $437.50 (Clause 37) or $500 (Clause 37a). Among survey respondents, more than two thirds (69%) worked for municipalities that offered access to the larger benefit, Clause 37a.

Figure 2: Property Tax Exemption Distribution

According to the interview conducted with the retired tax assessor, some municipalities do offer some benefits to visually impaired individuals beyond this property tax exemption. This includes an exemption from excise taxes in some municipalities. However, no survey responses mentioned this exemption, making it difficult to judge how common this is. Additionally, this interview detailed the difficulty municipalities have offering specific tax incentives to their tax benefits, a process that can involve going before the legislature for approval.

# Tax Deductions or advantages to Businesses who Employ Blind or Visually Impaired Individuals

The following section cites specific tax benefits available to businesses who employ people who are blind or visually impaired who reside in the Commonwealth of Massachusetts. The purpose of this section is to better inform readers about what specific benefits their businesses or employers may be able to claim or make use of to maximize their potential tax benefits. It includes summary information on a variety of benefits, including tax advantaged savings accounts, tax deductions, tax credits, and other benefits. It also includes information on which businesses qualify for these benefits.

## Federal

PCG researched IRS Publications and Forms to identify Federal tax deductions or other advantages to businesses who employ people who are blind or visually impaired. We have identified the following deductions or credits available to businesses who employ or provide facility or transportation access to people who are blind or visually impaired:

* Business expenses related to employees’ pay
* Business expenses related to costs that can be deducted or capitalized
* General Business Credit
* Disabled Access Credit
* Work Opportunity Credit

**Business expenses related to employees' pay**

A business can generally deduct the amount paid to employees for the services they perform. A business may be able to claim employment credits, like the Work Opportunity Credit. If employment credits are claimed, the amount of the credit should be reduced from employee wages that are reported under business expenses on the tax return.

**Business expenses related to costs that can be deducted or capitalized**

A business that owns or leases a facility or vehicle during their trade or business can deduct from income the cost of making their facility or public transportation vehicle more accessible to and usable by those who are disabled or elderly. The “Barrier Removal Costs” may be deducted in the tax year up to a maximum of $15,000 for that tax year. The portion of the Barrier Removal costs greater than $15,000 may be added to the basis of the property and depreciated over time.

**General Business Credit**

An eligible small business may be able to claim a general business credit on IRS Form 3800. The Disabled Access Credit that is recorded on Form 8826 is also reported on Form 3800 in Section Part III, line e. The Disabled Access Credit that is reported on Form 3800 is limited to an aggregate credit amount of $5,000. The general business credit is limited to the business’ tax liability.

**Disabled Access Credit**

Eligible small business may claim the “Disabled Access Credit” if they make their business accessible to persons with disabilities. The amount of the credit would need to be deducted from other deductions (like the Barrier Removal Costs deduction) or the asset/property capitalized amount.

**Work Opportunity 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. WOTC helps targeted workers move from financial dependency into self-sufficiency as they earn a steady income and become taxpayers. At the same time, employers who hire employees from the targeted groups can reduce their income tax liability. The goal of the Work Opportunity Tax Credit is to incentivize workplace diversity and facilitate access to good jobs for American workers. The maximum tax credit ranges from $1,200 to $9,600 per eligible employee for the tax year.

## Massachusetts & Peer State-Specific

PCG worked to identify tax benefits, deductions, credits and other advantages available from the Commonwealth of Massachusetts to help those who operate businesses that employ people who are blind or visually impaired. These tax benefits would apply equally to all qualifying businesses in the Commonwealth. Unfortunately, PCG was unable to identify any state-specific tax benefits for businesses employing individuals who are blind or visually impaired in either Massachusetts or in any peer states, beyond the federal and local benefits cited in other sections. MCB may want to consider development of strategic initiatives or legislation in this area.

## Local or Municipal

PCG analyzed results from the municipal survey to determine the availability of local or municipal tax deductions or advantages to businesses who employ people who are blind or visually impaired.

According to the municipal survey conducted by PCG and MCB, tax incentives directed toward businesses employing individuals who are blind or visually impaired are exceedingly rare. Two municipalities, West Newbury and Rochester, described benefits available to businesses owned by individuals with visual impairments. Both were excise tax exemptions. There were no respondents who said the municipalities they were employed by offered special tax incentives to businesses employing individuals with visual impairments.

# Understanding the Use of Tax Deductions or Other Incentives

The following section presents information on the current use of tax benefits by businesses from which PCG could gather data. This represents current use by individual businesses. PCG was unable to identify a larger, more reliable source for this data.

## Businesses Using Tax Deductions or Other Incentives

PCG analyzed if and how Massachusetts-based and national businesses leverage tax deductions or other incentives pertaining to employment of people who are blind or visually impaired. The primary tool for this research was the business survey created by PCG and MCB.

Of those responding to the questions on tax incentive use, only one business of the 13 completing the survey cited making use of the Workforce Opportunity Tax Credit. When asked who they relied on for information about tax credits they could make use of, three businesses responded an accountant or other tax professional, while two businesses responded they were unsure. Other respondents left this question blank.

## Local and Municipal Use of Tax Deductions or Other Incentives

PCG analyzed whether tax deductions or other incentives are offered by cities and towns across the Commonwealth to people who are blind or have visual impairments, businesses employing people who are blind or have visual impairments, and businesses owned by people who are blind or have visual impairments. The primary tool for this research was the municipal assessor survey created by PCG and MCB.

Two municipalities – West Newbury and Rochester – described benefits available to businesses owned by individuals with visual impairments. Both of these were excise tax exemptions. Of note, no municipalities offer special tax incentives to businesses employing individuals with visual impairments.

# Core Tax Forms Statistics Analysis

To develop an understanding of actions towards claiming that reduces tax liability, PCG researched Internal Revenue Service (IRS) available data in effort to find information pertaining to tax deductions and credits taken advantage of by individuals or businesses. The IRS publishes “Statistics of Income” (SOI) that is derived from a sample of actual income tax returns and schedules submitted and then extrapolated to the entire population of returns in effort to estimate tax return counts and amounts. PCG obtained about six to ten years of SOI data files. SOI files for Individual Tax Returns were available for 2007 through 2017 tax years. Partnership Tax Returns files were available for 2010 through 2017 tax years. Corporation Tax Return files were available for 2008 through 2015 tax years. However, the Disable Access Credit (Form 8826) tracking was discontinued in 2013. Our findings are outlined below.

**Statistics of Income**

The Revenue Act of 1916 mandated the annual publication of statistics related to “the operations of the internal revenue laws” as they affect:

* Individuals
* All forms of businesses
* Estates
* Nonprofit organizations
* Trusts
* Investments abroad and foreign investments in the United States

Statistics of Income (SOI) fulfills this function by collecting and processing data and by sharing information about how the tax system works with other government agencies and the general public.

SOI has four Branches, each responsible for one of the functional areas listed below:

* Individuals and sole proprietorships
* Corporations and partnerships
* Special studies (including international, tax exempts, and estates)
* Statistical computing, which provides support to the other three Branches, and Internal Revenue Service (IRS) Operating Division

Each Branch has four sections. The three subject-specific Branches each have two sections staffed with economists; one staffed with computer specialists; and the fourth staffed with researchers or information dissemination specialists. The Statistical Computing Branch has two sections that provide computer support and two that provide statistical support.[[35]](#footnote-36)

SOI produces data files compiled from samples of tax and information returns filed with the IRS. These files are called “Statistics of Income (SOI) line item estimates publications”. The files show estimated total **counts** (frequency of line item entry) and **amounts** for each line item. The estimated amounts are derived from tax returns and schedules that were processed by the IRS for a tax year. The tax returns and schedules were sampled statistically and then weighted to estimate each line item count and amount for that entire tax year. For example, all tax returns and schedules that are filed and processed in 2018, for the tax year 2017, are sampled and then line item counts and amounts are weighted to estimate the total for that line item for the entire 2017 year.

The SOI files are available to the public and are used by a variety of Federal agencies, academics, researchers, and other people in general. The data files are used to analyze tax policy, project tax revenues, and estimate the overall impact of tax law changes and their effects on tax collections.

Information regarding Statistics of Income (SOI) and the data files can be found at the following link: <https://www.irs.gov/statistics>.

**Approach to Core Tax Return Statistics Analysis and Methodology**

PCG’s approach to examining the IRS tax returns was to select three core income tax returns: **Individual, Partnership, and Corporation**. The IRS SOIs for each of these categories were retrieved from the IRS website and relevant data elements were selected and recorded. The IRS SOIs that contain detail tax information were nationwide numbers and estimates. State specific tax statistics were not available at a detail level sufficient for this examination.

The following provides a summary of the data elements selected for each category of tax return:

1. *Individual Income Tax Returns*

The SOI for individuals are comprised of individual income tax forms (1040, 1040A and 1040EZ), and related other forms and schedules. The forms and schedules selected for analysis include:

* Individual Income Tax Return Forms 1040, 1040A, and 1040EZ
* General Business Credit Form 3800
* Work Opportunity Tax Credit Form 5884

The following data elements were selected from the above forms:

* Counts and amounts for all 1040 types of forms filed
* Total count for individual
* Total count for spouse
* Total count for boxes checked “blind” (individual and spouse)
* Counts and amounts for Credit for the Elderly or Disabled (Schedule 3 and R)
* Counts and amounts for General Business Credit (Form 3800)
* Counts and amounts for Work Opportunity Tax Credit (Form 5884)
1. *Partnership Income Tax Returns*

The SOI for partnerships are comprised of partnership income tax form (1056), and related other forms and schedules. The forms and schedules selected for analysis include:

* Partnership Income Tax Return Form 1065
* Work Opportunity Tax Credit Form 5884

The following data elements were selected from the above forms:

* Counts and amounts for all 1065 forms filed
* Counts and amounts for Work Opportunity Tax Credit (Form 5884)
1. *Corporation Income Tax Returns*

The SOI for corporations are comprised of corporation income tax forms (1020, and 1020S [Schedule K]), and related other forms and schedules. The forms and schedules selected for analysis include:

* Corporation Income Tax Return Form 1020, 1020S [Schedule K]
* General Business Credit Form 3800
* Work Opportunity Tax Credit Form 5884
* Disable Access Credit Form 8826

The following data elements were selected from the above forms:

* Counts and amounts for all 1020, 1020S [Schedule K] forms filed
* Counts and amounts for General Business Credit (Form 3800)
* Counts and amounts for Work Opportunity Tax Credit (Form 5884)
* Counts and amounts for Disable Access Credit

As tax statistical data was gathered, descriptions and numbers were recorded in Excel Workbooks for each core tax return. Data was gathered for all years available on the IRS website. The number of years available varied for the core tax returns. SOIs for Individuals were available from 2007 through 2017. SOIs for Partnerships were available from 2010 through 2017. SOIs for Corporations were available from 2008 through 2015.

**Core Tax Return Statistics Results and Analysis**

PCG performed analytics on the core tax return statistical information in order to break out data that we determined would be relevant in our study of individuals and businesses leveraging tax advantages. Further, we trended data across years and calculated ratios that may indicate how tax incentives are being used over time. The following summarizes the analysis presented in this report.

*Individual Tax Returns*

* Data trends from 2007 to 2017 in charts and tables
* Percent of Number of Blind Individuals to Total Individuals
* Total Counts for 1040 Individual Returns
* Total Counts for Form 3800 General Business Credit
* Total Counts for Form 5884 Work Opportunity Credit

*Partnership Tax Returns*

* Data Trends from 2010 to 2017 in charts
* Total Counts for 1065 Partnership Returns
* Total Counts for Form 5884 Work Opportunity Credit

*Corporation Tax Returns*

* Data trends from 2008 to 2015 for Forms 3800 and 5884
* Data trends from 2008 to 2013 for Forms 8826
* Total Counts for Form 3800 General Business Credit
* Total Counts for Form 5884 Work Opportunity Credit
* Total Counts for Form 8826 Disabled Access Credit

**Individual Tax Returns (All 1040 Form Types)**

Individual Tax Returns and accompanying forms statistics present the following:

* Total Individual Tax Returns are trended by year in Figure 3. The total number of Individual returns filed shows an increasing trend over the decade by approximately 10,000,000 returns.
* Individuals who claimed the General Business Credit fluctuated over the 2007 to 2017 decade from 437,644 to 696,588.
* Although the overall trend line for General Business Credits claims filed (with Individual Tax Returns) in Figure 5is an increase, it is not proportionate to the increase in Individual Tax Returns.
* Figure 6 shows that the Work Opportunity Tax Credit declined sharply over the decade, dropping from a high of 61,538 claims in 2008 to 10,717 claims in 2017.
* Figure 7 shows the number of entries in the Individual tax returns for 1) the General Business Credit and 2) Credit for the Elderly and Disabled. The General Business Credits entered increased from the 2010 to 2013 timeframe. However, they decreased the following years, and are trending upward from 2015 to 2017. The Credit for the Elderly and Disabled has remained relatively flat across the decade, and turned downward in 2017.
* Individuals and Blind Individuals Who Completed Individual Tax Returns (presented in Table 13) show a steady increase in the number of individuals filing tax returns over the decade of 2007 to 2017. This increase in the number of individuals aligns with the increase in tax returns over the same period. During this same timeframe the number of blind individuals filing tax returns flucuated and trended downward at the end of the decade. This downward trend is shown in Figure 4, which trends the percentage of blind individuals to total individuals who filed tax returns from 2007 through 2017. The percentage of blind individual decreased from 1.4% in 2007 to 0.9% in 2017.

Figure 3: Nationwide Total Number of Individual Income Tax Returns Filed

Table 13: Nationwide Individuals and Blind Individuals Who Completed Individual Tax Returns

|  |  |  |
| --- | --- | --- |
| Tax Year | Number of Individual Plus Spouse | Number of Individual Plus Spouse Who Noted They Were Blind |
| 2007 | 26,405,703 | 372,572 |
| 2008 | 27,714,303 | 383,353 |
| 2009 | 28,335,151 | 367,905 |
| 2010 | 29,090,716 | 352,624 |
| 2011 | 30,078,315 | 380,659 |
| 2012 | 31,281,248 | 384,975 |
| 2013 | 32,487,698 | 346,223 |
| 2014 | 33,316,337 | 315,436 |
| 2015 | 34,515,470 | 338,463 |
| 2016 | 35,383,658 | 326,254 |
| 2017 | 36,884,573 | 344,518 |

Figure 4: Percentage of Blind Individuals to Total Individuals Who Filed Individual Tax Returns

Figure 5: Total Number of General Business Credit Claims on Individual Income Tax Returns

Figure 6: Total Number of Work Opportunity Credit Claims on Individual Income Tax Returns

Figure 7: Number of Credit Claims Recorded in Individual Income Tax Returns

**Partnership Tax Returns (Form 1065)**

Partnership Tax Returns and accompanying forms statistics present the following:

* The number of Partnership Tax Returns filed from 2010 to 2017 have increased by about 20% over the decade.
* Work Opportunity Tax Credits have sharply trended upward from 2010 to 2017 and has almost tripled in numbers across the decade. A high point was reached in 2016. This positive trend indicates that Partnerships are increasingly taking advantage of the Work Opportunity Tax Credit. However, the numbers still appear very low considering the number of Partnership Tax Returns filed.

Figure 8: Total Number of Partnership Tax Returns Filed (in Thousands)

Figure 9: Total Work Opportunity Tax Credits Claimed on Partnership Income Tax Returns

**Corporation Income Tax Returns (Forms 1120, 1120S)**

Corporation Tax Returns and accompanying forms statistics present the following:

* General Business Credits dropped by about 50% from 2008 to 2009. They have since increased but have trended downward from 2013 to 2015.
* Total Number of Work Opportunity Tax Credits Claimed on Corporation Income Tax Returns sharply decreased from 19,972 in 2008 to 3,138 in 2015.
* Total Number of Disabled Access Credits Claimed on Corporation Income Tax Returns sharply decreased from 3,236 in 2008 to 104 in 2013. After the year 2013, this statistic was not recorded in the corporation SOIs.

Figure 10: Total Number of General Business Credits Claimed with Corporation Income Tax Returns

Figure 11: Total Number of Work Opportunity Tax Credits Claimed on Corporation Income Tax Returns

Figure 12: Total Number of Disabled Access Credits Claimed on Corporation Income Tax Returns

1. <https://www.mass.gov/orgs/massachusetts-commission-for-the-blind> [↑](#footnote-ref-2)
2. IRS Publication 907, Tax Highlights for Persons With Disabilities (2019 Returns) [↑](#footnote-ref-3)
3. IRS Publication 907, Tax Highlights for Persons With Disabilities (2019 Returns) [↑](#footnote-ref-4)
4. IRS Publication 907, Tax Highlights for Persons With Disabilities (2019 Returns) [↑](#footnote-ref-5)
5. IRS Publication 501, Exemptions, Standard Deduction, and Filing (2019 Returns) [↑](#footnote-ref-6)
6. IRS Publication 501, Exemptions, Standard Deduction, and Filing (2019 Returns) [↑](#footnote-ref-7)
7. IRS Publication 501, Exemptions, Standard Deduction, and Filing (2019 Returns) [↑](#footnote-ref-8)
8. IRS Publication 501, Exemptions, Standard Deduction, and Filing (2019 Returns) [↑](#footnote-ref-9)
9. IRS Publication 501, Exemptions, Standard Deduction, and Filing (2019 Returns) [↑](#footnote-ref-10)
10. IRS Publication 501, Exemptions, Standard Deduction, and Filing (2019 Returns), page 4 [↑](#footnote-ref-11)
11. IRS Publication 501, Exemptions, Standard Deduction, and Filing (2019 Returns) [↑](#footnote-ref-12)
12. IRS Publication 501, Exemptions, Standard Deduction, and Filing (2019 Returns) [↑](#footnote-ref-13)
13. IRS Publication 502, Medical and Dental Expenses (2019 Returns) [↑](#footnote-ref-14)
14. IRS Publication 502, Medical and Dental Expenses (2019 Returns) [↑](#footnote-ref-15)
15. IRS Publication 502, Medical and Dental Expenses (2019 Returns) [↑](#footnote-ref-16)
16. IRS Publication 503, Child and Dependent Care Expenses (2019 Returns) [↑](#footnote-ref-17)
17. IRS Publication 524, Credit for the Elderly or the Disabled (2019 Returns) [↑](#footnote-ref-18)
18. IRS Publication 525 Taxable and Nontaxable Income (2019 Returns) [↑](#footnote-ref-19)
19. IRS Publication 509, Miscellaneous Deductions (2019 Returns) [↑](#footnote-ref-20)
20. IRS Publication 535, Business Expenses (2019 Returns) [↑](#footnote-ref-21)
21. IRS Publication 596, Earned Income Credit (EIC) (2019 returns) [↑](#footnote-ref-22)
22. IRS Publication 596, Earned Income Credit (EIC) (2019 returns) [↑](#footnote-ref-23)
23. Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments (for Individuals) (2019 Returns) [↑](#footnote-ref-24)
24. Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments (for Individuals) (2019 Returns) [↑](#footnote-ref-25)
25. IRS Instructions for Form 3800, General Business Credit, 2019 [↑](#footnote-ref-26)
26. <https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit> [↑](#footnote-ref-27)
27. IRS Instructions for Form 5884, (Revised March 2020) [↑](#footnote-ref-28)
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29. ABLE National Resource Center; <https://www.ablenrc.org/get-started/what-can-funds-be-used-for/> [↑](#footnote-ref-30)
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