



Highlights of [GAO-03-39](#), a report to the Chairman and Ranking Member, Senate Committee on Finance and the Chairman and Ranking Member, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

More than 17 million working-age individuals have a self-reported disability that limits work. Their unemployment rate is also twice as high as for those without a work disability, according to recent Census data. In the Ticket to Work and Work Incentives Improvement Act of 1999, the Congress mandated that GAO study and report on existing tax incentives to encourage businesses to employ and accommodate workers with disabilities. This report provides information on (1) the current usage of the tax incentives, (2) the incentives' ability to encourage the hiring and retention of workers with disabilities, and (3) options to enhance awareness and usage of the incentives.

www.gao.gov/cgi-bin/getrpt?GAO-03-39.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Robert E. Robertson (202) 512-7215 or robertsonr@gao.gov.

BUSINESS TAX INCENTIVES

Incentives to Employ Workers with Disabilities Receive Limited Use and Have an Uncertain Impact

What GAO Found

Business Tax Incentives to Encourage the Hiring, Retention, and Accommodation of Workers with Disabilities

Business incentive	Purpose	Maximum amount	Reported in 1999
Work opportunity credit	To encourage the hiring of economically disadvantaged workers, including those with disabilities.	\$2,400 per eligible employee	\$254 million
Disabled access credit	To help small businesses provide accommodations to customers and employees.	\$5,000 per year	\$59 million
Barrier removal deduction	To make businesses and transportation vehicles more accessible.	\$15,000 per year	Unknown

Note: Usage information on the barrier removal deduction is not available from IRS's databases. Source: GAO's analysis of estimated usage from IRS's Statistics of Income programs for 1999.

A very small proportion of corporate and individual taxpayers with a business affiliation use the two tax credits that are available to encourage the hiring, retention, and accommodation of workers with disabilities, according to IRS data. Taxpayers in the retail and service industries accounted for the largest share of the work opportunity credits reported in 1999, while providers of health care and social assistance services accounted for the largest share of the disabled access credits.

Information on the effectiveness of the incentives is limited and inconclusive. Only the work opportunity credit has been studied and these studies, along with those of a prior hiring credit, showed that some employers revised their recruitment, hiring, and training practices to increase the number of disadvantaged workers hired and retained, but that credits have also have been claimed by employers for workers they would have hired anyway. However, these studies have not focused on workers with disabilities and data limitations preclude conclusively determining their effectiveness for these workers.

To increase the awareness and usage of the tax incentives, business representatives and experts on disability issues and tax incentives suggested (1) improving government outreach and education efforts; (2) increasing the maximum dollar amount of the incentives; and (3) expanding the types of workers, businesses, and accommodations that are eligible for the incentives. While these options may increase incentive usage, it is uncertain whether the potential loss in tax revenues would be offset by improvements in the employment of workers with disabilities.

Commenting agencies generally concurred with GAO's findings.