

IOWA BENEFIT FOR EMPLOYERS WHO HIRE PERSONS WITH DISABILITIES

Iowa employers that meet the following criteria are allowed an *additional* deduction on their Iowa income tax returns for hiring persons with disabilities. This deduction is 65 percent of the wages paid in the first 12 months of employment; the deduction ceiling is \$20,000 per employee. *Only those employers that meet the "small business" definition can claim the deduction for employing persons with disabilities.*

Department Rules and Regulations 40.21.

- This deduction is in *addition* to the targeted jobs tax credit.
- The employer claims the deduction on the Iowa 1040 individual income tax return under an "other adjustments" category or on the Iowa corporation income tax return under an "other reductions" category.
- If 65 percent of an employee's wages does not meet the \$20,000 maximum in a single tax year, the balance may be claimed the following year to the extent that the employee has worked fewer than 12 months.
- If a business employed a person with a disability prior to learning of this benefit, the employer may amend income tax returns to include the deduction. Returns can only be amended within three years from the due date of the return.
- An employer claiming the additional deduction must submit a separate sheet with the tax return with the following information: the employee's name, address, Social Security number, date of hiring, and total wages paid.
- The qualifying employee may be any age; no age restrictions apply.
- The qualifying employee must be a new hire. A current employee who becomes disabled does not qualify.
- The qualifying person may hold more than one job; each employer may take the deduction.
- The qualifying employee does not have to be employed full time.

Only small businesses may claim this deduction.

Description of a "small business"

A small business is one organized for profit or nonprofit, including but not limited to a corporation, a sole proprietorship, partnership, joint venture, association, or cooperative. This includes farm operations. It does not include the practice of a profession. See the "Definitions" section of this brochure for details.

A small business cannot have more than 20 full-time equivalent employees and more than \$3 million of annual gross revenues. "Full time" means any of the following: a position requiring an average work week of 40 hours; one in which compensation is paid on a salaried full-time basis without regard to hours worked; an aggregation of any number of part-time positions which equal one full-time position. See the full-time equivalent table in the "Definitions" section of this brochure.

A franchise that is owned by a local employer will qualify as a small business as long as the other small business criteria are met. A corporate-owned business managed by a local employer does not qualify.

Department Rules and Regulations 40.21(2).

Description of a "person with a disability"

A person with a disability is anyone who

- has a physical or mental impairment which substantially limits one or more major life activities *or*
- has a history of impairment *or*
- is regarded as having an impairment

This includes, but is not limited to, physiological disorders and conditions, cosmetic disfigurement, anatomical loss, and any mental or psychological disorder.

Department Rules and Regulations 40.21(3).

Other requirements and considerations

- The person with a disability must pass the business' probationary period. If a *corporation* does not have a written policy, the probationary period is six months for the purpose of this deduction.
- The person with a disability must not be hired to replace another employee who was terminated within the previous 12 months unless that employee was terminated for misconduct in connection with employment. If the employee left voluntarily, the person with a disability will qualify for the deduction.
- An employee who has qualified for the targeted jobs tax credit as a person with a disability undergoing vocational rehabilitation automatically qualifies for this deduction.
- A person does not have to be certified by the State Division of Vocational Rehabilitation as having a disability. However, if such certification exists, that person automatically qualifies for the deduction.

DEFINITIONS

"Operation of a farm" means the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, milk, fruit, other horticultural crops, grazing or production of livestock. It does not include the production of timber, forest products, nursery products, or sod. It does not include a contract where the processor or distributor of farm products or supplies provides spraying, harvesting or other farm services.

Department Rules and Regulations 40.21(2)(d).

"The practice of a profession" means a vocation requiring specialized knowledge and preparation including but not limited to the following: medicine and surgery, podiatry, osteopathy, osteopathic medicine and surgery, psychology and psychiatry, chiropractic, nursing, dentistry, dental hygiene, optometry, speech pathology, audiology, pharmacy, physical therapy, occupational therapy, mortuary science, law, architecture, engineering and surveying, and accounting.

Department Rules and Regulations 40.21(2)(e).

Full-time equivalent table

Hours: more than 0, but less than 15: 1/4 time

Hours: 15 or more, but less than 25: 1/2 time

Hours: 25 or more, but less than 35: 3/4 time

Hours: 35 or more: Full-time

Department Rules and Regulations 40.21(2)(a).

This benefit is authorized by 422.7 of the Iowa Code and 1990 Iowa Acts, Senate File 2413.