

Tax Incentives for Businesses Employing People With Intellectual and Developmental Disabilities

By: Sarah Leser, Legislative Analyst II
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Issue

Summarize (1) recent changes to Connecticut's JobsCT tax rebate program that expand eligibility and increase awards for businesses employing people with intellectual or developmental disabilities (IDD) and (2) similar tax incentives in other states.

Summary

The [JobsCT tax rebate program](#) generally provides tax rebates to businesses that create and maintain new jobs in targeted industries. Beginning January 1, 2024, the program additionally incentivizes businesses to employ people with intellectual disability. Specifically, a new law (1) decreases the number of new jobs a business must create to qualify for the program if at least one new employee is a person with intellectual disability and (2) provides a higher rebate amount when the rebate is claimed for employees with intellectual disability ([PA 23-137](#), § 61). For new employees with IDD, employers can claim a rebate of up to 50% of the state income tax that would be paid on their wage.

According to the [Employer Assistance and Resource Network on Disability Inclusion](#) (EARN), an IDD employment advocacy group, there are at least seven other states that provide tax incentives for businesses to employ people with IDD. In six of those states, the incentive is a percentage of gross wages paid to an employee with IDD. In one state, Tennessee, the incentive is based on the number of jobs created.

JobsCT Tax Rebate Program

The JobsCT tax rebate is available to Connecticut businesses in specified industries that apply to the JobsCT program through the Department of Economic and Community Development (DECD) and create and maintain at least (1) 25 new or discretionary full-time employees (FTE) or (2) starting January 1, 2024, 15 FTEs if at least one of the FTEs is a person with intellectual disability. Generally, to qualify as a new FTE, the (1) position must have not existed prior to a business's application to DECD and (2) employee must be paid wages of at least 85% of the median household income for the location where the position is primarily based or \$37,500, whichever is greater.

The tax rebate is treated as (1) a tax credit when applied to the corporate business tax or the pass-through entity tax or (2) a tax offset when applied to the insurance premiums tax. The rebate generally equals 25% of the state income tax that would be paid on the new FTEs' average wage or 50% of such amount for FTEs who have intellectual disability or work in an [opportunity zone](#) or [distressed municipality](#). The minimum rebate amount is \$1,000 per new FTE and \$750 per discretionary FTE, and the maximum award is \$5,000 per new or discretionary FTE (i.e. someone who earns less than the program's general wage requirements but meets certain other criteria). Minimum amounts are doubled for rebates earned, claimed, or payable before January 1, 2024. Businesses may receive rebates in up to seven successive years, beginning with the third year after acceptance into the program. The total amount awarded through the JobsCT program is capped at \$40 million per year, of which up to \$15 million may be awarded for discretionary employees ([CGS § 32-7t et seq.](#), as amended by [PA 23-137](#), § 61).

IDD Employer Business Tax Credits in Other States

The [Employer Assistance and Resource Network on Disability Inclusion](#) identifies six states that offer a tax incentive for employing individuals with physical or mental disabilities and one state (North Dakota) that offers a tax credit specifically for employing individuals with IDD. The table below compares the states' tax incentives with Connecticut's JobsCT program, indicating the (1) taxes against which the incentive applies, (2) a description of the incentive, (3) incentive amount, and (4) how qualifying employees are defined.

Table 1: Tax Incentives for Hiring Individuals With IDD in Connecticut and Other States

State Tax Credits for Hiring People With Disabilities	Applicable Taxes	Tax Credit Description	Amount	Employee Qualifications
<p>Connecticut</p> <p>JobsCT Tax Rebate Program</p> <p>(CGS § 32-7t et seq., as amended by PA 23-137, § 61)</p>	<p>Corporation, Pass-Through Entity, Insurance</p>	<p>Provides a tax rebate for businesses in specified industries that create and maintain at least (1) 25 new or discretionary FTEs or (2) starting January 1, 2024, 15 FTEs if at least one of the FTEs is a person with intellectual disability.</p> <p>To qualify as a new FTE, the (1) position must not have existed prior to a business entering the program and (2) employee must be paid at least 85% of the median household income for the location where the position is primarily based or \$37,500, whichever is greater.</p>	<p>Credit equals 25% of the state income tax that would be paid on the new FTEs' average wages or 50% of such amount for FTEs who have intellectual disability or are located in an opportunity zone or distressed municipality.</p> <p>Credit minimum of \$1,000 per new FTE and \$750 per new discretionary FTE and maximum of \$5,000 per new FTE or discretionary FTE (minimum amounts doubled for rebate earned, claimed, or payable before January 1, 2024).</p>	<p>A person with intellectual disability is someone with a significant limitation in intellectual functioning existing concurrently with deficits in adaptive behavior that originated during the developmental period before 18 years old.</p>
<p>Delaware</p> <p>Employer Tax Credit for Hiring Individuals with Disabilities</p> <p>(30 Del. Code. ch. 20B)</p>	<p>Banking, Corporation, Personal Income, Insurance</p>	<p>Provides a tax credit for employers who hire people with disabilities referred by the Division of Vocational Rehabilitation.</p> <p>To qualify, individuals hired must be employed at least 185 days during the taxable year.</p> <p>There is no limit on the number of employees for which the employer may claim credit.</p>	<p>Credit equals 10% of the employee's gross wages paid by the qualified employer during that employee's employment during the taxable year.</p> <p>Credit not to exceed \$1,500 per employee.</p>	<p>Employee must be certified by the state's Division of Vocational Rehabilitation agency as having a physical or mental disability which results in a substantial impediment to employment.</p>

Table 1 (continued)

State Tax Credits for Hiring People With Disabilities	Applicable Taxes	Tax Credit Description	Amount	Employee Qualifications
<p>Iowa</p> <p>Income Tax Benefit for Iowa Employers Who Hire Persons with Disabilities</p> <p>(Iowa Dept. of Revenue)</p>	<p>Income</p>	<p>Provides a tax deduction for certain small businesses (20 or fewer full-time equivalent employees) who employ persons with disabilities.</p> <p>There is no limit on the number of employees for which the employer may claim the deduction.</p>	<p>Deduction equals 65% of wages paid in the first 12 months of an individual's employment, up to \$20,000 per employee.</p>	<p>A person with a disability is someone who:</p> <ol style="list-style-type: none"> 1. has a physical or mental impairment that substantially limits one or more major life activities, 2. has a history of impairment, 3. is regarded as having an impairment, 4. qualifies for the targeted jobs tax credit as a person with a disability undergoing vocational rehabilitation, or 5. has been certified by the State Division of Vocational Rehabilitation as having a disability. <p>Impairment includes, but is not limited to, psychological disorders and conditions, cosmetic disfigurement, anatomical loss and any mental or psychological disorder.</p>

Table 1 (continued)

State Tax Credits for Hiring People With Disabilities	Applicable Taxes	Tax Credit Description	Amount	Employee Qualifications
<p>Louisiana</p> <p>Employment of Certain Disabled Individuals Deduction</p> <p>(LA Rev Stat § 47:297.13)</p>	<p>Income</p>	<p>This deduction is for taxpayers who provide continuous employment to a qualified disabled individual within Louisiana.</p> <p>The deduction is limited to 100 employees program wide, and the taxpayer must apply to the Department of Health and Hospitals to qualify for the deduction.</p>	<p>The deduction equals 50% of the gross wages paid to the individual during the first four continuous months of employment and 30% of the gross wages paid during each subsequent continuous month of employment.</p>	<p>A qualified individual with a disability is:</p> <ol style="list-style-type: none"> 1. a person with a severe, chronic disability attributable to an intellectual or physical impairment that manifested before the individual was 22 years old which results in substantial functional limitations in three or more major life areas; 2. an individual who has been determined eligible for and is receiving services through the Office for Citizens with Developmental Disabilities; 3. an individual who receives facility-based vocational or pre-vocational services through the Home and Community Based Waiver programs; or 4. an individual with a service-connected disability rating of 50% or more as designated by the U.S. Department of Veteran Affairs. <p>The qualifying individual must be employed for four continuous months for an average of at least 20 hours a week at a rate comparable to and in the same setting as other employees of the taxpayer performing the same or similar task.</p>

Table 1 (continued)

State Tax Credits for Hiring People With Disabilities	Applicable Taxes	Tax Credit Description	Amount	Employee Qualifications
<p>Maryland</p> <p>Disability Employment Tax Credit</p> <p>(MD Education Code § 21-309)</p>	<p>Franchise, Income, Insurance</p>	<p>Allows employers to claim credit for employees with disabilities hired on or after December 31, 2014.</p> <p>There is no limit on the number of employees for which the employer may claim credit.</p>	<p>Credit equals 30% of up to the first \$9,000 of wages paid during the first and second years of employment.</p> <p>A credit of up to \$900 is also available to pay for qualified childcare or transportation expenses incurred during the first two years of employment.</p>	<p>Employees with disabilities include people with disabilities as defined by the Americans with Disabilities Act who have been certified by the Maryland State Department of Education, Division of Rehabilitation Services, or the U.S. Department of Veteran Affairs (VA) as having met established criteria.</p>
<p>New York</p> <p>Workers (with Disabilities) Employment Tax Credit</p> <p>(NY Dept. of Labor)</p>	<p>Insurance and Bank Franchise Tax, Transportation and Transmission Companies Tax</p>	<p>Allows employers to claim credit for employees with disabilities hired after 1996.</p> <p>There is no limit on the number of employees for which the employer may claim credit.</p>	<p>Credit equals 35% of the first \$6,000 in wages paid during the second year of employment.</p>	<p>An employee must meet the eligibility requirements for certification under the federal Work Opportunity Tax Credit (WOTC) program as a vocational rehabilitation referral, and be certified by either:</p> <ol style="list-style-type: none"> 1. the New York State Education Department's Adult Career and Continuing Education Services-Vocational Rehabilitation (ACCES-VR), or 2. the Office of Children and Family Services' Commission for the Blind and the Visually Handicapped (CBVH).

Table 1 (continued)

State Tax Credits for Hiring People With Disabilities	Applicable Taxes	Tax Credit Description	Amount	Employee Qualifications
<p>North Dakota</p> <p>Income Tax Credit for Employment of Individuals with Developmental Disabilities or Severe Mental Illness</p> <p>(N.D. Cent. Code § 57-38-01.16)</p>	<p>Corporate Income</p>	<p>Allows employers to claim a corporate income tax credit for wages paid to an employee with a developmental disability or severe mental illness.</p>	<p>Credit equals 25% of up to \$6,000 in wages paid annually for each qualifying employee.</p>	<p>Employee must have a developmental disability or severe mental illness, and must be certified as having such by the Department of Health and Human Services.</p>
<p>Tennessee</p> <p>Jobs Tax Credit for Hiring Persons with Disabilities</p> <p>(Tenn. Code Ann. § 67-4-2109(f))</p>	<p>Franchise, Excise</p>	<p>One-time tax credit available to qualified employers who establish either full-time or part-time job(s) for persons with disabilities.</p> <p>The employment of the person(s) with a disability must create a net increase in the number of persons with disabilities employed by the taxpayer.</p> <p>The qualifying employment must be provided for at least 12 consecutive months and for at least 37.5 hours per week for full-time jobs or 10 hours per week for part-time jobs.</p>	<p>Credit equals \$2,000 for each qualifying part-time job created and \$5,000 for each qualifying full-time job created.</p>	<p>Qualifying employees must be receiving state services directly related to their disability.</p>

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