



AB 1169: Tax Incentive to Hire People with Disabilities

BILL

Assembly Bill 1169 will amend the Tax Code to create an additional tax credit up to \$6,000 for businesses in California who hire qualified individuals with disabilities.

PROBLEM

California has seen minimal growth in the employment rate for persons with disabilities despite continued economic growth since the recession. People with disabilities are much more likely to be un-employed or under-employed, than people without disabilities. The American Community Survey reports that in 2017¹ the employment rate of working-age people (ages 21 to 64) with disabilities in California was 36.8 percent compared to 77.3 percent of working-aged people without disabilities, A gap of 40.5 percent. The Department of Developmental Services reports that 14.5 percent of people with developmental disabilities who are receiving services through the regional center are working.²

Also in 2017, 23.1 percent of working age people with disabilities are living in poverty in California. Furthermore, in CA in 2017, the percentage of working-age people with disabilities who were not working but actively looking for work was 8.0 percent compared to 18.0 percent of working age people without disabilities. A gap of 10 percent.

Studies have found that the perceived additional costs to be incurred by hiring people with disabilities dissuade employers from hiring despite anti-discrimination laws that require that people with disabilities shall not be discriminated against by

employers. One study of small business owners found that the current federal tax incentives would increase the amount of money employers would find reasonable to incur in costs.³

The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers for hiring individuals from certain groups who have consistently faced significant barriers to employment. The current WOTC is not available for employing Social Security Disability Insurance recipients or enough of a financial incentive to increase hiring of people with disabilities.

SOLUTION

The State of California has committed to addressing the employment gaps for people with disabilities.⁴ This new state tax credit would increase the incentive to businesses in California who employ people with disabilities who are recipients of Supplemental Security Income, Social Security Disability Insurance or are referrals from Department of Rehabilitation.

The credit would be against the net tax paid by an employer in California. The credit would be for 40 percent of the qualified wages, up to \$6,000 per employee during the first year of employment.

SPONSOR/SUPPORT/OPOSE

State Council on Developmental Disabilities (Sponsor)

FOR MORE INFORMATION

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¹ Erickson, W., Lee, C., & von Schrader, S. (2019). 2017 Disability Status Report: California. Ithaca, NY: Cornell University Yang-Tan Institute on Employment and Disability (YTI).

² https://www.dds.ca.gov/RCOversight/Employment_CA.cfm

³ Chen, R. K., Blankenship, C. J., Austin, B. S., Cantu, V. C., & Kotbungkair, W. (2016). Hiring of people with disabilities: Perceptions of Hispanic small business owners. *Journal of Vocational Rehabilitation*, 45(2), 185-196.

⁴ The Department of Rehabilitation's mission is to "achieving an employment rate for people with disabilities that is in parity with that of the general population by removing barriers to work; and, providing needed services, supports and incentives to maximize individual economic growth and development." The State Council on Developmental Disabilities supports this mission for people with intellectual and developmental disabilities.