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Iowa's Assistive Device Tax Credit Tax Credit Program Evaluation Study

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Preface

Iowa Code Section 2.48 directs the Department of Revenue to review certain tax expenditures it administers. The review shall consist of evaluating the tax credit and assess its equity, simplicity, competitiveness, public purpose, adequacy, and extent of conformance with the original purpose of the legislation that enacted the tax expenditure, as those issues pertain to taxation in Iowa. This is the third evaluation study completed for this administrative tax credit.

This study and other evaluations of Iowa tax credits can be found on the [Tax Credits Tracking and Analysis Program web page](#) on the Iowa Department of Revenue website.

Table of Contents

I. Introduction	4
II. Iowa Assistive Device Credit - Requirements and Limits	4
III. Assistive Device Refunds and Credits at the Federal Level and in Other States	5
IV. Conclusion	6

I. Introduction

The Assistive Device Tax Credit was a refundable tax credit that went into effect January 1, 2000. It was designed to offset costs incurred by small businesses in modifying workplaces to accommodate employees with disabilities. Originally applicable to both individual and corporate income tax, effective July 1, 2009, this credit can no longer be claimed against individual income tax. A cumulative tax credit award cap, applied to certain tax credits awarded by the Iowa Economic Development Authority included this credit. Effective July 1, 2012, this tax credit award cap stood at \$170 million per fiscal year. As the Assisted Device Tax Credit was refundable, any amount in excess of tax liability may be refunded or credited as an overpayment to tax liability for the following year. If the small business elected to take the Assistive Device Tax Credit, the small business could not deduct for Iowa tax purposes any amount of the cost of an assistive device or workplace modifications which is deductible for federal income tax purposes.

According to the Iowa Economic Development Authority, there had been no claims for this tax credit in at least fifteen years. The possible reasons for this will be discussed in the [Conclusion](#) section below.

Iowa Senate File 657, approved by Gov. Kim Reynolds on June 6, 2025 effectively repealed the Assistive Device Credit retroactively beginning December 31, 2024.

II. Iowa Assistive Device Tax Credit - Requirements and Limits

A taxpayer who had a small business that purchased, rented, or modified an assistive device or made workplace modifications for an individual with a disability who was employed or would have been employed by the small business was eligible for this credit. The credit was limited to 50 percent of the first \$5,000 paid for the assistive device or workplace modification. In order to be eligible to receive the Assistive Device Tax Credit, a small business must:

- Be located in the State of Iowa.
- Employ no more than 14 full-time employees or have gross receipts of no more than \$3 million during its preceding tax year.
- Purchase, rent, or modify an assistive device or make workplace modifications for an individual with a disability who is employed or will be employed by the business.

To have received the Assistive Device Tax Credit, the eligible small business must have applied to the Iowa Economic Development Authority. If the taxpayer met the criteria for eligibility, the Iowa Economic Development Authority would have issued to the taxpayer a certification of entitlement for the Assistive Device Tax Credit. However, the combined amount of tax credits that would have been approved for a fiscal year could not exceed

\$5,000. Tax credit certificates would have been issued on an earliest filed basis. The certification would have contained the taxpayer's name, address, tax identification number, the amount of the credit, and tax year for which the certificate applies. The tax year would have been determined by the date of project completion. The taxpayer would have been required to file the tax credit certificate with the taxpayer's corporate income tax return in order to claim the tax credit.

III. Assistive Device Refunds and Credits at the Federal Level and in Other States

The federal Americans with Disabilities Act (ADA) requires employers with 15 or more employees to make reasonable accommodations for employees with disabilities.¹ Numerous provisions exist at both the federal and state levels for mitigating costs involved with employing disabled individuals.

At the federal level, there are at least two provisions for tax credits or income tax deductions that apply to businesses that make changes designed to accommodate disabled employees or customers: the Disabled Tax Credit and the Architectural Barrier Removal Tax Deduction. The first is available to "eligible small businesses" in the amount of 50 percent of "eligible access expenditures" that exceed \$250 but do not exceed \$10,250 for a taxable year.² The definition of "eligible small businesses" is a little more restrictive than the Iowa Assistive Device Tax Credit requirement, in terms of the gross receipts limit, in that it sets the gross receipts maximum at \$1 million rather than \$3 million. In this sense, an Iowa business that doesn't qualify for the federal tax credit may qualify for the Iowa tax credit. However, the federal Disabled Tax Credit also sets the maximum employee level at 30 or fewer rather than 14, so that requirement is less restrictive, and may make the business eligible where gross receipts exceed the maximum. In either case, the federal law is designed for accommodations made for either customer or employee access, so it would have broader application than the Iowa tax credit. As stated in the Iowa Code, "If the small business elects to take the assistive device tax credit, the small business shall not deduct for Iowa tax purposes any amount of the cost of an assistive device or workplace modifications which is deductible for federal income tax purposes."³ This restriction, coupled with the lower tax credit levels (50 percent of \$5,000 for the state tax credit, compared to the federal level of 50 percent up to \$10,250), makes it unlikely that an eligible small business in Iowa would file for the Iowa Assistive Device Tax Credit.

¹ Accommodations are considered "reasonable" if they do not create an undue hardship or a direct threat. <https://adata.org/factsheet/reasonable-accommodations-workplace> (ADA National Network website)

² Eligible access expenditures are amounts paid or incurred by an eligible small business for the purpose of enabling the business to comply with the applicable requirements of the Americans with Disabilities Act (ADA). https://askearn.org/topics/laws-regulations/employer_financial_incentives/federal-government-employer-tax-incentives/ (Employer Assistance and Resource Network)

³ Iowa Code 422.33 <https://www.legis.iowa.gov/docs/code/422.33.pdf>

The other federal measure, the Architectural Barrier Removal Tax Deduction, allows for a tax deduction of up to \$15,000 a year for the removal of architectural and transportation barriers to the disabled and the elderly. This deduction may be used in conjunction with the Disabled Tax Credit. The deduction is equal to the difference between the total expenditures and the amount of the credit claimed.⁴

At the state level, several states provide for tax credits or deductions for barrier removal or other support of individuals with disabilities. Arizona allows expenses recognized under the ADA to be deducted from state income.⁵ Kansas allows a tax credit equal to 50 percent of expenditures or \$10,000, whichever is lower, and allows any excess over tax liability to be carried over up to four years.⁶ Maryland has a unique provision under their Disability Employment Tax Credit, in which employers can claim up to \$900 in the first and second years against combined transportation and child care costs paid on behalf of each employee with disabilities. The credit is not refundable.⁷

IV. Conclusion

In none of the cited state provisions is there a restriction on coupling with other federal tax credits or deductions, while in Iowa there was.⁸ This restriction was likely a deterrent to filing for the Tax Credit, along with the higher credit limits available through the federal programs. Iowa does provide for other tax incentives to employ disabled individuals, however. Iowa does couple with the federal Work Opportunity Tax Credit (WOTC) which is directed at small businesses with 20 or fewer full-time equivalent employees and annual gross revenue of not more than \$3 million. It allows for a deduction of 65 percent of wages paid in the first 12 months, up to \$20,000 per eligible employee. It can be claimed on the Iowa 1040 individual income tax return under "other adjustments" or on the Iowa corporation income tax return under "other reductions."⁹ The comparative ease of applying for this deduction through income tax returns rather than through the Iowa Economic Development Authority points to another possible reason the Assistive Device Tax Credit was not used by businesses in Iowa.

⁴ Article in Employer Assistance and Resource Network, [askearn.org](https://askearn.org/topics/laws-regulations/employer_financial_incentives/federal-government-employer-tax-incentives/), website, describing federal employer tax incentives https://askearn.org/topics/laws-regulations/employer_financial_incentives/federal-government-employer-tax-incentives/

⁵ Article in Employer Assistance and Resource Network, [askearn.org](https://askearn.org/topics/laws-regulations/employer_financial_incentives/), website, describing state employer tax incentive https://askearn.org/topics/laws-regulations/employer_financial_incentives/

⁶ Ibid.

⁷ Maryland tax form MW508CR https://marylandtaxes.gov/forms/20_forms/MW508CR.pdf

⁸ Iowa tax code 422.33 <https://www.legis.iowa.gov/docs/code/422.33.pdf>

⁹ Iowa Department of Revenue webpage article titled "Income Tax Benefit for Iowa Employers Who Hire Persons with Disabilities" <https://tax.iowa.gov/income-tax-benefit-iowa-employers-who-hire-persons-disabilities>