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Purpose

People who use assistive technology can save money on their taxes in many ways. Here are just a few. Some of these tax breaks are only for people who use assistive technology. Others are for people with disabilities whether or not they use assistive technology. A few are for all low-income people, with or without disabilities. We include them here because studies show people with disabilities are more likely than people without disabilities to have low incomes. We include links to web pages with more information in each section. You might have to scroll down each webpage to find the right information for you.

The Internal Revenue Service (IRS) updates Federal tax forms and publications each year. You can tell if you have the most current one by the date listed in the title. Check the IRS webpage (listed below) for updates. You can search using the publication number in each section.

Income

Income means any money you get from any source. Not all income is considered taxable. You only have to pay taxes on income that is not excluded. Here are some kinds of income you might not have to pay taxes on:

Social Security and Railroad Retirement Benefits

If the only income you have is Social Security or Railroad Retirement benefits, you probably do not have to pay taxes on your income. If you get other income, you might have to pay taxes on some or all of your benefits. For more information, see the IRS Publication: [Publication 915, Social Security and Equivalent Railroad Retirement Benefits](#)

Disability Pensions and Workers' Compensation

There are two types of benefits for workers who become

disabled. Some employers offer disability insurance for their workers. If the worker becomes disabled and cannot work, the insurance pays the worker money. You might not have to pay taxes on any money you get from the insurance. It depends on who pays the costs of the insurance plan. If your employer pays the cost of the insurance, you may have to pay taxes on any money you get from the insurance. If you have to pay the entire cost yourself, you do not have to pay taxes on any money you get from the insurance.

Another benefit for workers is called workers' compensation. Workers' compensation pays money to workers injured on the job. You do not have to pay taxes on any money you get from a government-run workers' compensation program. You can read more about these types of benefits under Disability Pensions in the IRS publication: [Publication 907, Tax Highlights for Persons with Disabilities](#)

Compensation for Personal Injury or

Sickness

There are other reasons you might get money if you get sick or hurt. You might get money from a personal injury lawsuit. You might get money from a “no-fault” car insurance policy. Or you might get money from a qualified long-term care insurance policy. You may not have to pay taxes on these types of income if they are “compensation” for your injury or sickness. Compensation pays you back for costs related to your injury or sickness. Compensation includes things like money to pay you back for medical bills or lost wages. Compensation does not include punitive damages in a personal injury lawsuit. You can read more about this under Sickness and Injury Benefits in the IRS publication: [Publication 17, Your Federal Income Tax](#)

Dependent Care Benefits

It can cost a lot to have someone take care of your children or a disabled adult family member while you work. Some employers have programs to help their workers pay for these costs. If your employer has a program like this, you

might not have to pay taxes on the money you get from this program. You can read more about this in the IRS publication: [Publication 503, Child and Dependent Care Expenses](#)

Veterans Administration Disability Benefits

Some military and government disability payments are not taxable. These include disability benefits paid by the Department of Veterans Affairs (VA). There are many kinds of disability benefits paid by the VA. Some disability benefits include:

- education, training, or subsistence allowances (money for basic needs such as food, clothing, and shelter)
- disability compensation and pension payments for disabilities paid to veterans or their families
- grants to pay for homes designed for wheelchair living
- grants to pay for motor vehicles for veterans who lost their sight or the use of their arms or legs
- veterans' insurance proceeds and dividends paid to veterans or their beneficiaries

Military pensions not related to a disability may be taxed. You can read more about this under Military and Government Disability Pensions in the IRS publication: [Publication 907, Tax Highlights for Persons with Disabilities](#)

Medicaid Waiver Payments to Caregivers

Medicaid Home and Community Based Services (HCBS) Waivers pay some caregivers to give non-medical care to people who live with them. Starting on January 3, 2014, the caregiver no longer has to pay federal income tax on that money. For more information see [Internal Revenue Bulletin 2014-4](#) on the IRS website. Your tax situation may be different if you provide care to someone who does not live with you.

If you were paid by Medicaid Waivers to provide this care in the last three years, and you included the money you received as income on your tax return, you can file amended tax returns to correct this issue. Amended returns can be filed for the past 3 tax years. The [IRS has a Q&A section](#) for more information on which Medicaid Waiver

payments may be excluded from income.

Deductions

Deductions are amounts of money you subtract from your total income before you figure out how much tax you owe. Some deductions apply only to federal income tax. Some deductions apply only to Iowa state income tax. Some deductions can be taken on both federal and Iowa state income tax returns.

When you file your taxes, you can either claim a “standard” deduction or “itemize” (list) some of your deductions. A standard deduction is an amount of money every taxpayer can subtract from their income before they figure out their tax. It is based on the average amount people pay for certain expenses.

Some people can benefit from itemizing their deductions instead of claiming the standard deduction. Itemizing your deductions means claiming deductions for your actual expenses. You might choose to itemize your deductions if

you had high expenses. Itemizing might give you a higher deduction than claiming the standard deduction. People with disabilities may have expenses that can be itemized. If you think you might itemize your deductions, you should keep any receipts and other papers that show how much you spent. A tax preparer can help you decide whether you should itemize your expenses.

Standard Deduction for People Who Are Blind

People who are blind or partially blind get a larger standard deduction than people who are not blind. If you are blind, make sure to mark this on your tax return. You can read more about this under Higher Standard Deduction for Blindness in the IRS publication: [Publication 17, Your Federal Income Tax](#)

Medical Expenses

This is a federal deduction that is also used on Iowa state tax forms. You cannot deduct all of your medical expenses.

Currently, you can start deducting medical expenses once your total expenses for the year are over 7.5% of your adjusted gross income. The term “medical expenses” includes many things besides doctor visits and medicines. Some medical expenses include:

- travel to and from the place where you get your medical care
- medical devices like wheelchairs and adaptive devices such as TTYs
- modifications like a ramp, grab bars, wider doorways, or visual fire alarms that make your home more accessible
- modifications like hand controls or a wheelchair lift to make your vehicle more accessible
- costs of getting, training, and caring for a service animal
- fees to attend special schools for people with disabilities

You cannot deduct any medical expenses paid for by insurance or someone else. You can read more about this in the IRS publication: [Publication 502, Medical and Dental Expenses](#)

Impairment-Related Work Expenses

You may also be able to deduct the cost of adaptive devices or assistants at work. You can read more about this in the IRS publication: [Publication 907, Tax Highlights for Persons with Disabilities](#)

Expenses Incurred for Care of a Disabled Relative

This is a deduction on your Iowa state taxes. The State of Iowa lets you deduct expenses to care for a disabled relative in your home. The relative must be your child, grandchild, parent, or grandparent. The person must be unable to live on their own because of a physical or mental disability. The person must get or be eligible for Medicaid benefits. Details about this deduction are included in the expanded instructions for filling out Iowa's 1040 Long Form on the state's tax website in the Deduction section under [Medical, Dental, and Insurance Expenses](#)

Donating Equipment

You might get to take a tax deduction for donations to certain charities. This includes donating a wheelchair or other medical equipment. You can read more about this in the IRS publication: [Publication 526, Charitable Contributions](#)

Tax Credits

Tax credits are payments the government gives you that lower the amount of tax you owe. There are two kinds of tax credits: non-refundable and refundable. With non-refundable credits, you can't get more money than what you owe the government. With refundable credits, you can. Let's say you owe \$1,000 in taxes and you qualify for a \$1,500 non-refundable tax credit. The tax credit lowers the amount of tax you owe to zero. You don't owe \$1,000, but you don't get the other \$500. It simply "vanishes." Now let's say you owe \$1,000 in taxes and you qualify for a \$1,500 refundable tax credit. The tax credit lowers the amount of tax you owe to zero. You don't owe \$1,000, and

you get some or all of the extra \$500 in cash from the government.

Child Tax Credit (CTC)

This is a non-refundable federal tax credit for having children that live with you and are supported by you. A portion of this credit is refundable. A similar credit called Credit for Other Dependents is also available for taxpayers who have children who do not qualify for the CTC. You can read more about this in the IRS publication: [Publication 972, Child Tax Credit](#)

There were changes to the Child Tax Credit related to the coronavirus pandemic in 2021, including advanced payments. These changes are no longer in effect. One special rule for 2021 that still may be relevant is that taxpayers with no earned income can also claim the Child Tax Credit. That means if your only income in 2021 was Social Security and you had a minor child living with you, you may receive this credit even though you did not work. You would need to file a 2021 tax return to claim this

credit.

Visit the IRS website for more information about the [Advanced Child Tax Credit](#).

If you are divorced, your agreement might affect your Advanced Child Tax Credit when you file your 2021 taxes. Visit Iowa Legal Aid's website for more information about the [Advanced Child Tax Credit and divorce](#).

Child and Dependent Care Credit

This is a non-refundable federal tax credit for paying someone to care for children or people with disabilities in your family. You can read more about this in the IRS publication: [Publication 503, Child and Dependent Care Expenses](#)

Credit for the Elderly or the Disabled

This is a non-refundable federal tax credit for qualifying persons who are elderly, or who are retired on permanent and total disability and have taxable disability income. You

can read more about this in the IRS publication: [Publication 524, Credit for the Elderly or the Disabled](#)

Disabled Veteran Homestead Property Tax Credit

This helps veterans pay for their property taxes. There is a form that must be filed with your county assessor by July 1 of the year the property taxes are assessed. You can find the form on the Iowa Department of Revenue website under [Disabled Veteran Homestead Property Tax Credit](#)

Earned Income Credit (EIC)

This is a federal tax credit for having children in your household and getting at least some of your income from work. The amount of the credit increases if you have children in the household. It is a refundable credit, which means you could not only end up owing no tax but getting extra money from the government. You can read more about this in the IRS publication: [Publication 596, Earned Income Credit \(EIC\)](#)

Motor Vehicle Registration

Motor vehicle registration is not really a tax. It is more like a fee. But if you drive a motor vehicle that has special equipment to help you get in and out of it (like a wheelchair lift), you can get your vehicle registration fee reduced. Ask about this fee reduction at your [County Treasurer's office](#) when you register your car or van.

Premium Tax Credit

This is a federal tax credit for people who get health insurance through the Health Insurance Marketplace. If a person is eligible for financial help with the cost of their insurance, they can get that help as a tax credit on their federal income tax return. You can read more about this in the IRS publication: [Publication 5187, Health Care Law: What's New for Individuals and Families](#)

If you or a member of your family are enrolled in health insurance through the Health Insurance Marketplace, you can fill out Form 8962 with your 2021 taxes in order to

claim your premium tax credit. [Instructions for Form 8962](#)

Property Tax Credit and Rent Reimbursement

If you own real property (land or buildings), you probably have to pay property tax on it. If you are totally disabled, however, you might be entitled to a tax credit from the State of Iowa. You can only claim this credit if your household income is below a certain amount. You will have to fill out a special form and turn it in with your state tax return. If you are not disabled, you can still claim this credit if your income is below a certain amount and you were 65 years old by the end of the tax year. The State of Iowa has this form on this webpage: [Iowa Property Tax Credit - Senior and Disabled Citizens](#)

If you rent your home and are totally disabled (or at least 65 years old), you can apply for rent reimbursement. The same income limit applies (your household income must be below a certain amount). The State of Iowa Department of Health and Human Services manages this program. Apply

for rent reimbursement on this webpage: [Rent Reimbursement - Iowa Department of Health and Human Services](#)

Recovery Rebate Credit (RRC)

Congress passed legislation allowing stimulus payments for many U.S. residents due to the coronavirus pandemic. Many people received stimulus payments in 2020 and 2021. In 2020, there were two payments - one for up to \$1,200 per person and \$500 per child, and another for \$600 per person. In March 2021, Congress authorized another payment of \$1,400 per person.

If you did not receive a payment, or you only received part of the stimulus payment, you can claim the Recovery Rebate Credit (RRC) on your 2020 tax return (for the \$1,200 and \$600). If you did not receive the \$1,400 payment, you need to file a 2021 tax return.

You only have 3 years from the date a return is due to be filed to claim the RRC. If you did not receive one of the first

2 stimulus payments, you need to file your 2020 return by April 15, 2024 to claim a refund. If you did not receive the 3rd stimulus payment, you need to file your 2021 return by April 15, 2025. Visit this IRS webpage to learn more about the [RRC](#).

State Sales Tax Exemption

Iowa law exempts mobility-enhancing equipment, prosthetic devices, and durable medical equipment from state sales tax. You should not have to pay any sales tax on these types of equipment after July 1, 2005. This is described on the Iowa Department of Revenue website under [Iowa Sales Use and Tax Information](#)

Tax Credits-For Employers Only

These are tax breaks for employers who hire employees with disabilities. If you have a disability, make sure your employer knows about these:

Architectural and Transportation Barrier Removal Deduction

This federal tax deduction lets employers deduct some of the cost of making buildings and vehicles accessible for people with disabilities. You can read more about this in the IRS publication: [Publication 535, Business Expenses](#)

Assistive Device Credit

This is a state tax credit for small businesses that purchase and rent, or modify an assistive device or make workplace modifications for an individual with a disability. The credit is limited to 50% of the first \$5,000 paid for the assistive device or workplace modification. The Iowa Economic Development Authority certifies those eligible for the credit and issues tax credit certificates for eligible claimants. This is a refundable credit. You can read more about this credit: [Application and Information](#)

Disabled Access Credit (DAC)

This is a federal tax credit that helps small businesses make building and equipment modifications. It also helps them make their buildings accessible by ADA standards for both employees and customers with disabilities. You can read more about this in the IRS publication: [Publication 334, Tax Guide for Small Business](#)

Small Business Income Deduction

This is a state tax deduction for some Iowa employers. Only employers that meet the definition of “small business” can take this deduction. These businesses can take an additional deduction on their Iowa income tax returns for hiring persons with disabilities. They can deduct 65 percent of the wages paid in the first 12 months of employment. The deduction is capped at \$20,000 per employee. More information is available online: [Iowa Benefit for Employers Who Hire Persons with Disabilities](#)

Work Opportunity Tax Credit (WOTC)

This is a federal tax credit employers can get for hiring certain employees, including people with disabilities.

You can read more about this in the IRS publications:

[Form 8850](#) and [Instructions for form 8850](#)

Additional Information

State Tax Information

You can reach the [State of Iowa Department of Revenue](#) at: 800-367-3388 or 515-281-3114 (Iowa, Rock Island, Moline, Omaha)

Calls are answered Monday through Friday, 8am-4:15pm Central Time.

Federal Tax Information

You can reach the [United States Internal Revenue Service \(IRS\)](#) at:

(800) 829-1040 – for individuals

(800) 829-4933 - for businesses

(800) 829-4059 - TTY

Calls are answered Monday - Friday, 7am-7pm your local time. You may ask questions to help you prepare your tax return, or ask about a notice you have received.

Accessible Forms and Publications

The Internal Revenue Service offers accessible forms at this webpage: [Accessible IRS Tax Products](#)

Publication: Living and Working with Disabilities: Tax Benefits and Credits

This is a free online publication that provides information about federal tax benefits and credits for people living and working with disabilities. [Publication 3966 \(2013\) Living and Working with Disabilities](#)

For a free paper copy of any listed form or publication, call (800) 829-3676.

Free Tax Help

You may qualify for free tax preparation. [Find free volunteer tax assistance](#) through the IRS website. You may also dial 2-1-1 and ask for a complete list of free tax assistance programs near you.

If you have problems with the IRS or receive a notice from the IRS, you may be able to get free help through a [local Low Income Taxpayer Clinic](#). In Iowa, you can contact the Iowa Legal Aid Low Income Taxpayer Clinic by calling (800) 532-1275 or going to the [Iowa Legal Aid website](#).

Disclaimer: *This tip sheet is for information only. It cannot guarantee funding. Iowa Compass makes regular updates to give current and accurate information. We cannot be held liable for any outdated or incorrect information.*

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