

Tax Credits and Asset Accumulation: Findings from the 2004 N.O.D./Harris Survey of Americans with Disabilities

Abstract

This article describes findings pertaining to the economic independence of people with disabilities from the 2004 National Organization on Disability (N.O.D./Harris Survey of Americans with Disabilities. The 2004 N.O.D./Harris Survey is based on information from a random sampling of 1038 adults with disabilities and 988 adults without disabilities. Economic independence is central to improving the quality of life for persons living with disabilities. It involves being employed, leveraging tax incentives, the ability to accumulate assets, including through use of financial institutions, and opportunities for home ownership. Major findings include that sampled people with and without disabilities own homes at similar rates overall, that people with disabilities are more likely to be asset poor, have fewer relationships with financial institutions, have lower rates of usage of savings accounts, have lower rates of ownership of stocks and bonds, have lower rates of holding IDAs, and make less use of the home mortgage tax deduction. The importance of asset accumulation and home ownership strategies are discussed as a means to improve economic independence, self-determination, and inclusion into society of persons with disabilities.

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Introduction to the N.O.D./Harris Survey of Americans with Disabilities

Research in the area of asset accumulation and tax policy for persons with disabilities is relatively new. One of the first systematic investigations in this area is the Disability and Rehabilitation Research Project on Asset Accumulation and Tax Policy (AATP) for

People with Disabilities, at the Law, Health Policy & Disability Center. AATP, in collaboration with the Rehabilitation Research and Training Center on Workforce Investment and Employment Policy for Persons with Disabilities and the National Organization on Disability (N.O.D.), examined issues related to asset accumulation and tax policy in the 2004 N.O.D./Harris Survey of Americans with Disabilities.

Prior to the Americans with Disabilities Act (ADA) in 1986, the International Center for the Disabled (ICD) contracted with Louis Harris and Associates to survey Americans with disabilities about their lives and the obstacles they faced. Harris conducted telephone interviews with 1000 individuals aged 16 and over. Post-ADA, the National Organization on Disability (N.O.D.) contracted with Harris to complete similar national surveys of approximately 1000 individuals with disabilities in 1994, 1998, 2000 and 2004.

The N.O.D./Harris surveys contain questions about employment, life satisfaction and socialization, health care, assistive technology, disability issues and information, religion, and demographics. For some questions, a comparison group of people without disabilities was included. Their summary report provides information on progress in ten indicators since the survey began in 1986, including employment, education, socializing, attendance at religious services, entertainment/going out, political participation, income, access to transportation, health care, and satisfaction with life (N.O.D./Harris 2004). These serve as measures of improvement or lack of progress for people with disabilities.

The 2004 survey included new questions on financial status, including items on asset accumulation, relationships with financial institutions, and rates of home ownership. For those who owned homes, follow-up questions inquired about claiming the home mortgage interest deduction, and when not claimed, reasons for not claiming the deduction. Additional questions included whether respondents had claimed disability-related tax credits or deductions and whether they were claimed on state or federal tax

returns. These questions begin to gather baseline information on the economic status, beyond income, of individuals with disabilities.

Much research on the employment of adults with disabilities has focused on employment or income barriers related to income support programs (for a review, see Blanck, Hill, Siegal & Waterstone, 2005). Some work has focused on work incentives, again primarily related to income. Little work has been done on how people with disabilities work beyond daily support needs, and look at their participation in the "American dream." Asset accumulation, home ownership, relationships with financial institutions, and use of the tax system by people with disabilities has not been subject to thorough examination. However, work has been done in other communities to understand how people may begin the move out of poverty, focused on means of accumulating assets and the importance of financial education and financial relationships. Extending this work into disability research was the goal of this survey research. Similar information to that known about other groups is needed to begin to understand the contours of economic independence for people with disabilities and strategies to improve their economic status.

Methodology

This article presents analysis of data from the 2004 N.O.D./Harris Survey of Americans with Disabilities (N.O.D./Harris 2004). It concerns new questions inserted at our request and reviewed below. We have reanalyzed data on these questions for relationships among these and other variables collected, but not analyzed and reported, by N.O.D./Harris.

N.O.D./Harris (2004) reports that sampling was designed to be representative of adults in the U.S. using random-digit dialing. The sample design was intended to properly represent regions of the continental U.S., as well as city, suburban and rural residents. Interviews were completed with 988 people without disabilities and 1038

non-institutionalized people with disabilities. For individuals who were D/deaf, the survey was conducted online rather than by telephone. Full information on the methodology employed by Harris is included in Appendix A of the 2004 N.O.D./Harris Survey.

To provide a nationally representative sample, Harris weighted the responses on age, sex, education, race, ethnicity and income. Harris' weightings were derived by combining Current Population Survey (CPS) data and demographic data collected by Harris during the 12 months prior to conducting the 2004 survey for N.O.D. (N.O.D./Harris, 2004). Analyses presented were performed using Harris's weightings.

All percentages reported were based on valid responses. Respondents who reported "Don't Know" or refused to respond were not included in the analysis for an individual question. Because analysis is restricted to valid responses, percentages reported differ slightly from those reported by N.O.D./Harris (2004).

Results

Asset accumulation

"Asset poor" is defined as individuals and families having insufficient financial resources to support themselves at the poverty level for three months without other means of support (Assets for Independence, n.d.). The 2004 N.O.D./Harris Survey asked respondents: "If you had to support yourself for three months with no earned income or gifts from others, would you have enough financial assets to get by? By 'financial assets,' I mean savings and checking accounts, stocks, bonds, or trust funds."

The 2004 N.O.D./Harris Survey found that significantly more people with disabilities were "asset poor" compared to people without disabilities. Almost two

thirds (59.1%, 737 of 1247) of the respondents with disabilities, compared to about one-third (37.0%, 359 of 969) of people without disabilities reported being "asset poor" [$\chi^2(1, N = 2216) = 106.09, p < .001$].

Asset accumulation was associated with gender. Female respondents (655 of 1212) were significantly more likely to report that they were asset poor compared to male respondents (442 of 1004; [$\chi^2(1, N = 2216) = 22.05, p < .001$]). This gender difference was significant both for individuals with disabilities [$\chi^2(1, N = 1247) = 12.142, p < .001$] and those without disabilities [$\chi^2(1, N = 969) = 4.584, p < .001$].

Employment status was associated with whether respondents were asset poor [$\chi^2(3, N = 2217) = 159.663, p < .001$]. Individuals who reported being retired were the least likely to be asset poor, followed by those who were working full-time. Those working part-time were more likely to be asset poor. Those who were not employed (i.e., classified as unemployed, homemaker or other) were the most likely to be asset poor.

This pattern is evident whether the respondents were disabled or not. Table 1: Percentage of Samples Reporting Being Asset Poor, indicates percentages of people within employment categories who are asset poor. Percentages are given in columns for the total sample, subsample of respondents with disabilities, and subsample of nondisabled respondents. The employment categories in the rows of the table are retired, employed full-time, employed part-time and not employed. The cells in the table give the percentage of people within each employment category who reported that they were asset poor by sample (total, disabled and non-disabled columns).

Table 1: Percentage of Samples Reporting Being Asset Poor

Employment Category	Total Sample	Disabled	Nondisabled
Retired	33.2%	40.4%	13.4%
Employed, Full-Time	44.1%	59.2%	37.5%
Employed Part-Time	54.5%	62.3%	46.8%

Not employed	68.1%	73.9%	50.0%
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Relationships with financial institutions

Respondents were asked whether they established relationships with financial institutions, including banks and credit unions. N.O.D/Harris asked the following question: "Thinking about your financial situation, please tell me whether you have any of the following: checking account with a bank; loan with a bank; savings account with a bank; checking account with a credit union; loan with a credit union or other financial institution; savings account with a credit union; Individual Development Account; corporate or municipal stocks or bonds; and/or government savings bonds."

People without disabilities were likely to have relationships with banks and credit unions or one institution (45.4% with both and 54.4% with just one). Individuals with disabilities were almost twice as likely to have a relationship with one type of financial institution (i.e., bank or credit union) than both (64.7% vs. 34.6%, respectively).

Within types of institutions and accounts, individuals with disabilities were significantly less likely than those without disabilities to have savings accounts with a bank or credit union, checking accounts with a bank, and loans with a bank. Approximately half (52.3%) of individuals with disabilities reported having a savings account with a bank compared to almost three-fourths (71.1%) of those without disabilities [$\chi^2(1, N = 2016) = 74.313, p < .001$]. About one-third of

individuals with disabilities (32.5%) reported having a savings account with a credit union compared to 40.0% of individuals without disabilities [$\chi^2(1, N = 2015) = 12.173, p < .001$]. Just more than three-quarters of individuals with disabilities (78.4%) reported having a checking account with a bank, compared to 83.0% of people without disabilities [$\chi^2(1, N = 2016) = 6.650, p < .01$].

Approximately one in four individuals with disabilities (25.1%) and those without (25.9%) reported having a checking account with a credit union [$\chi^2(1, N = 2016) = 0.168, n.s.$]. Slightly less than a third (29.9%) of individuals with disabilities compared to more than a third (38.9%) of individuals without disabilities reported having a loan with a bank [$\chi^2(1, N = 2016) = 17.920, p < .001$]. Slightly less than one in four individuals with disabilities (22.0%) compared to about one in four individuals without disabilities (25.3%) reported having a loan with a credit union [$\chi^2(1, N = 2016) = 3.034, n.s.$].

Concerning other types of accounts, individuals without disabilities were significantly more likely to report that they currently had an Individual Development Account (IDA). Approximately 6% of people with disabilities reported having an IDA, compared to 14% of people without disabilities [$\chi^2(1, N = 2016) = 31.351, p < .001$].

Individuals with disabilities were significantly less likely to own stocks or bonds than individuals without disabilities. Less than one-fourth (23.7%) of respondents with disabilities reported owning corporate or municipal stocks or bonds compared to over one-third (36.8%) of respondents without disabilities [$\chi^2(1, N = 2016) = 41.255, p < .001$]. Approximately 17% of individuals with disabilities compared to 22% of those without reported owning government savings bonds [$\chi^2(1, N = 2016) = 9.695, p < .01$].

Home ownership

Individuals with and without disabilities reported owning homes at similar rates. N.O.D./Harris asked respondents: "Do you own your own home (including outright ownership, have one or more mortgages, or purchasing on a contract)?" More than half of individuals with disabilities (58.5%) and those without (62.0%) reported they owned their own homes [$\chi^2(1, N = 2224) = 2.78, n.s.$]. Home ownership correlated significantly with age, even when controlling for disability status ($r = .315, p < .001$). Young adults were the least likely to own a home, and older adults the most likely.

There was a significant interaction between home ownership and disability status by age. Although young adults (18-29) and older adults (65 and older) with and without disabilities did not differ significantly on home ownership, adults with disabilities in between those groups were significantly less likely than their non-disabled peers to own a home. Of young adults, 20.7% of those with disabilities and 24.7% of those without disabilities reported owning their own homes [$\chi^2(1, N = 393) = .844, n.s.$]. Of older adults, 74.1% of those with and 77.9% of those without disabilities reported owning their own homes [$\chi^2(1, N = 460) = .752, n.s.$]. Of 30 to 44 year old adults, 51.5% of those with disabilities compared to 68.1% of those without disabilities reported owning a home [$\chi^2(1, N = 539) = 15.396, p < .001$]. Of 45 to 64 year olds, 63.6% of those with disabilities compared to 78.6% without disabilities reported owning their own home [$\chi^2(1, N = 831) = 20.596, p < .001$].

Rate of home ownership differed by disability type. Individuals with learning disabilities or those with emotional or mental disabilities were significantly less likely to own their own homes than respondents without those types of disabilities. Approximately one-third (33.8%) of those with learning disabilities compared to two-thirds (63.0%) of those without learning disabilities reported owning their own

homes ($r = .179, p < .001$). Less than one-half (48.4%) of those with emotional or mental disabilities compared to almost two-thirds (62.3%) of those without emotional or mental disabilities reported owning their own homes ($r = .102, p < .001$). Differences in home ownership were not significant for individuals with communication, hearing, vision, or physical/mobility impairments.

Tax credits and deductions

N.O.D./Harris asked respondents with disabilities: "Have you ever claimed an income tax credit or deduction related to your employment and disability?" Those who reported claiming a credit or deduction were asked, "Did you claim a federal tax credit or deduction, a state tax credit or deduction, or both?"

Of federal and state personal income tax deductions and credits designed to assist people with disabilities to become or remain employed, only 13% of people with disabilities report they have claimed these credits or deductions. Of those 13%, almost two-thirds (63.2%) reported claiming both federal and state, 8% claimed state only and 29% claimed only federal credits or deductions.

N.O.D./Harris asked respondents who reported owning their own homes: "Do you claim the mortgage interest deduction on your state or federal income taxes?" Of respondents who owned their own home, individuals with disabilities were less likely to claim the home mortgage income tax deduction than their non-disabled peers. Less than half (46.7%) of homeowners with disabilities reported claiming the home mortgage income tax deduction compared to two-thirds (66.3%) of homeowners without disabilities [$\chi^2(1, N = 1266) = 48.645, p < .001$].

As a follow-up for those who did not claim the home mortgage interest deduction, N.O.D./Harris asked: "Is that because you do not file a tax return, because you do not itemize deductions, or for some other reason?" The reason homeowners did

not claim the home mortgage income tax deduction differed significantly by disability status [$\chi^2(2, N = 543) = 41.224, p < .001$]. People with disabilities who owned a home were more likely to report that they do not claim a home mortgage income tax deduction because they do not file tax returns (22.4%), compared to people without disabilities (2.8%).

Discussion and Implications

Accumulation of assets

The ability to accumulate and retain assets is one critical aspect of the move out of poverty, regardless of disability status (Sherraden, 1988). Page-Adams and Sherraden's (1997) review of asset building studies, including those examining home ownership, revealed positive impacts of asset accumulation, including personal well-being, economic security, and positive community effects. Moving from poverty to economic independence requires employment and financial skills, as well as knowledge on the part of caseworkers to understand how assets count or don't count in eligibility determinations (Rand, 2004). Differences exist between lack of assets imposed by poverty and those mandated by program eligibility. Ball, Morris and Blanck (this issue) explore limits imposed by disability programs on accumulation of assets. As these authors discuss, asset limits on Supplemental Security Income (SSI)/Social Security Disability Insurance (SSDI) recipients generally preclude accumulation of liquid assets in excess of \$2,000, far below the assets needed for 3 months of support.

Other programs have asset limits in place for determining eligibility as well, including those that provide housing, food assistance, and transportation. Empirical research shows that limits on assets by public benefit programs may discourage savings (McDonald, Orszag & Russell, 2005). In their review of this research, McDonald, Orszag, and Russell note, "studies have confirmed that

families likely to receive benefits from such programs do respond to changes in limits on asset tests, decreasing their saving when such limits are instated and increasing their holdings of assets (in particular, automobiles) when limits are loosened." (p. 4) Asset limits may impose significant economic hardships on people who are already asset poor during financial emergencies, and during retirement (Neuberger, Greenstein & Sweeney, 2005). Understanding issues of asset limits in federal and state disability and generic program eligibility, as well as traditional poverty-related issues, is key to developing strategies to address the needs of people with disabilities.

The 2004 N.O.D./Harris Survey findings that more than half (59%) of people with disabilities, compared to 37% of people without disabilities, are asset poor are consistent with U.S. Census reports of the high percentages of people with disabilities in poverty (Waldrop and Stern, 2003). According to the 2000 U.S. Census, 17.6 percent of people with disabilities who are age 5 or older live in poverty as compared to 10.6 percent of people without disabilities. Of working age adults (16 to 64 years old), 18.8 percent with disabilities live in poverty, compared to 9.6 percent without disabilities. For older adults (65 or older), 13.2 percent of people with disabilities live in poverty as compared to 7.4 percent for their peers without disabilities.

One strategy for addressing asset poverty is the establishment of Individual Development Accounts (IDAs). IDAs are matched savings programs that allow accumulation of assets toward education, home ownership, and business startup (Comptroller of the Currency, Administrator of National Banks, 2005). There are many IDA-type programs run by various entities (Corporation for Enterprise Development, 2003). Typically, savings from earned income are matched by private employers, state agencies, or other programs. Funds are held by a financial institution and may be accessed by participants for specific purposes.

To date, IDA programs have focused on people with low incomes who are in poverty--traditionally minority populations, but not specifically people with disabilities. Not surprisingly, the N.O.D./Harris Survey (2004) found that few people, and even fewer people with disabilities, used this strategy. The World Institute on Disability (See <http://www.wid.org/programs/#ida>) has focused on the use of IDAs by people with disabilities recently, as has the Law, Health Policy & Disability Center's Asset Accumulation and Tax Policy Project.

Use of IDAs by people in the disability community may be a stepping-stone to home and business ownership, or higher education. These accounts may form the basis for banking relationships for people with disabilities who have not had banking relationships. Banking relationships mean that individuals establish accounts, including checking, savings, loans, as well as retirement and investment accounts, and form relationships with financial institutions for economic advancement and asset accumulation.

For people with disabilities, savings in programs such as Temporary Assistance for Families (TANF) and Assets for Independence Act (AFIA) IDAs are exempted from asset limits imposed in the SSI and SSDI programs, as are government match monies contributed to those IDAs (see Ball, Morris, Hartnett, and Blanck, this issue). This means that people using these accounts to save money will not lose eligibility for income support and health care through Social Security as they accumulate assets necessary for home ownership, to start a business, or further education.

AFIA authorized IDA programs provide financial education for people in poverty. This is useful for individuals who may not have previously had banking relationships. The N.O.D./Harris survey found that fewer people with disabilities, compared to their non-disabled peers, had established banking relationships (e.g., fewer people with disabilities compared to those without reported have checking accounts, savings accounts or loans with banks).

In contrast, credit unions serve similar numbers of people with and without disabilities in checking accounts and loans, but differ with respect to savings accounts. Credit unions have traditionally served people with low incomes (Williams, 2004), which perhaps explain similar rates of people with and without disabilities holding checking accounts and loans given links between disability and low income. The Government Accountability Office (GAO) reports, though, that despite historical tradition of credit unions serving people with low incomes, no current data exists nationwide to evaluate the economic status of people served by credit unions (GAO 04-91, 2003).

The N.O.D./Harris 2004 Poll reports a similar disparity exists in stock and bond ownership. About one in four people with disabilities, compared to more than one-third of those without disabilities, own stocks or bonds. Ownership of government savings bonds also is low for people with disabilities--about one in six own bonds, while about one in five people without disabilities own them. According to the N.O.D./Harris 2004 Poll, people with and without disabilities use online banking and automatic check deposit services, perhaps due to mobility impairments and the ability to bank without traveling to the bank. Differences in usage rates of savings accounts, stock and bond ownership, and of IDAs for people with and without disabilities may be due to asset limits in federal assistance programs, limited incomes, lack of employment, or other reasons.

N.O.D./Harris 2004 data show that the number of people with and without disabilities who have loans and checking accounts are similar for credit union accounts but not for banks. Why these differences exist, and how banking and financial services may become accessible for people with disabilities, and provide services that address the needs of people with disabilities and of those who additionally are in poverty, requires further study.

One educational strategy for banking and asset accumulation are the AATP projects on financial education for financial institutions and individuals with

disabilities. The World Institute on Disability, the National Federation of Community Development Credit Unions, and the Center for Community Economic Development & Disability at Southern New Hampshire University, as part of the AATP project, are working with credit unions and provide assistance to selected IDA providers to adopt universal design principles to foster effective support of individuals with disabilities within financial programs (National Federation of Community Development Credit Unions, 2005).

Asset accumulation is crucial for people with disabilities. People with disabilities face challenging financial issues impacting their lives due to health status, age, and economic factors, and are affected by changing health and impairments, or adverse financial events (Batavia and Beaulaurier, 2001). Assets, including savings and homes, are important to maintain the economic and social independence of people with disabilities, and smooth interruptions in income or extraordinary expenses that may otherwise lead to loss of housing, health care, and inability to meet other basic needs (Batavia and Beaulaurier, 2001).

Opportunities for home ownership

Previous research has focused on homeownership initiatives, including reasons for people with disabilities to own their own homes and methods for reaching that goal (Klein and Nelson, 1999). Homeownership promotes self-direction and control, sense of place, and sense of security. Owning a home reduces the cost of institutionalization and helps control the rising costs of residential services, including housing and staff to support people with severe disabilities (O'Brien, 1994). Klein (1999) found, based on a survey in 1990 by the Administration on Developmental Disabilities, that people with developmental disabilities who lived in their own homes (leased or owned) were "considerably more satisfied with their homes, the services they received, and their lives in general than those who lived in housing owned and controlled by others."

Everson and Wilson (2000) report that homeowners with disabilities "are extraordinarily satisfied with their homes, their neighborhoods, and their status as homeowners." (p. 126) Their focus group participants mentioned the value of being homeowners compared to renting, and some indicated they spent less money on their home than they spent previously as renters. A study of the Louisiana Home of My Own program, an initiative to increase homeownership of people with developmental disabilities, and which included homebuyer education, discusses outcomes and strategies (Wilson and Everson, 2000). Outcomes measured included satisfaction with homes, desirability of homes, financial costs or benefits, and community acceptance of homeowners with disabilities. They conclude that individuals were satisfied with their homes, the homes were desirable and included desirable features, the individuals benefit financially both immediately and over time from ownership as compared to rental, and the community accepts and supports homeowners with disabilities, with acceptance increasing over time through familiarity with their neighbors.

Professionals in the rehabilitation field have a role to play in homeownership opportunities for people with disabilities as well. Robertson and Desfrene (2000) describe a process that can be implemented to enable people with disabilities to become homeowners, changing from a traditional residential services model to a person-centered approach to homeownership. The steps focus on the individual and the resources available to assist in planning for and purchasing a home. In addition to rehabilitation professionals, community partners are important in home ownership (Robertson, Armand, Anderson, and Mee, 2000). Important to this effort are products and services needed to buy or build a home, locate a home, assist with down payments, finance the home or repairs and remodeling, as well as promoting partnerships among these providers and traditional rehabilitation or disability organizations. Individual budgets and self-directed support strategies also have a role to play (Blumberg, Ferguson and Ferguson, 2000).

The N.O.D./Harris data show people with and without disabilities owned their own homes at about the same rate. Other sources have suggested that home ownership in the general population may be even higher, (e.g., the Census Bureau, homeownership rate of 68.6% as of the second quarter of 2005). The present study finds, using the 2004 N.O.D./Harris data, that homeownership varied by age among people with disabilities as compared to people without disabilities. These findings suggest that home ownership occurs later in life for some people with disabilities. In part, the trend may relate to the onset of disability as the population ages; homeowners without disabilities become homeowners with disabilities. Another contributing factor may be estate planning, including passing ownership of homes to adult children with disabilities upon the death of the parents.

Research is necessary to understand differences between home ownership by people with and without disabilities and strategies to improve home ownership among people with disabilities. IDAs may be an effective way for individuals with disabilities to accumulate assets to be used as down payments, so they may be able to purchase homes earlier, similar to their non-disabled peers.

Findings of variation in homeownership rates by disability type from the 2004 N.O.D./Harris data may be related to issues of bias or stigma in the homeownership process, according to a study of mortgage decision bias by Hagner and Klein (2005). They find hypothetical mortgage decisions are impacted in relation to type of disability. In their study, mortgage decision makers considered and commented on severity of disability (level of required supports), as well as income type (benefits versus earned income), though neither were significantly different in the determination of whether a mortgage would be granted or not granted in their hypothetical decisions. They found people with physical disabilities were more likely to qualify for mortgages than those with developmental disabilities. This was the case even when controlling for capacity, or the ability to repay the debt, credit, the record established of repaying other

debt, capital, the down payment or other funds necessary to complete the purchase of the home, and collateral, the value of the home in the event of failure to repay (Hagner and Klein, 2005).

Homeownership for people with disabilities is also impacted by a shortage of affordable housing (Galbraith, 2001). Citing various studies and policy changes, Galbraith finds that many markets do not have housing which would be available or affordable to people with disabilities. In some markets the amount of an SSI check is insufficient for an efficiency apartment (Edgar, O'Hara, et. Al., cited in Galbraith). Additionally, local housing agencies have not been expanding opportunities or modifying policies to provide sufficient housing for people with disabilities (Jackson, 2001).

Leveraging tax incentives

Another strategy for accumulation of assets involves the use of tax policy. For individuals, this includes mortgage interest deductions and Earned Income Tax Credit, among others. For employers, these include tax incentives like the Work Opportunity Credit, which reduces federal income tax liability by up to \$2,400 per employee, the Disabled Access Credit, which provides up to a \$5,000 credit to small businesses for ADA-related expenses, and the Barrier Removal Deduction, which provides a deduction of up to \$25,000 for expenses related to removing existing architectural and transportation barriers (see Blanck et al., 2005).

In 2002, GAO (03-39) reported that business tax incentives (Work Opportunity Credit, Disabled Access Credit, and the Barrier Removal Deduction) were not widely used. Only 1 of 790 corporations and 1 of 3,450 individuals with a business affiliation used the Work Opportunity Tax Credit in 1999. Only 1 of 680 corporations and 1 of 1570 individuals with a business affiliation reported using the Disabled Access Credit. GAO suggested that lack of familiarity with the

incentives was an important factor. Another factor may be the structure of tax incentives. Although these incentives allow businesses to save money, they do not provide money up front that is necessary to hire individuals or to pay for expenses incurred in providing accessibility. They require documentation to comply with the requirements to take the credits or deductions, and may be used only for qualified expenses. GAO suggested expanding and improving outreach through coordination and clarification of incentive requirements. Businesses that make more use of tax incentives may be able to hire more workers with disabilities or pay higher wages, stimulating demand for workers with disabilities.

Little research exists on business or personal income tax incentives directly used by people with disabilities, as opposed to those used by business. The N.O.D./Harris Survey 2004 included questions about personal income tax incentives. We found that few individuals with disabilities used these credits. Tax deductions and credits may pay for accommodations or to retain more income. Mendelsohn (this issue) explores the variety of tax code provisions that impact people with disabilities beyond these tax credits. Individuals with disabilities were less likely than their non-disabled peers to claim home mortgage deductions, one of the most widely used tax deductions for the accumulation of assets by the American public. Approximately 47% of people with disabilities reported claiming this deduction as compared to 66% of people without disabilities.

These self-reported figures may be overstated, as GAO (01-529) estimated in 2001 that only 30% of the general population itemizes deductions, which would be required to claim the home mortgage interest deduction. People with disabilities who own a home were more likely to report that they did not claim a home mortgage income tax deduction compared to people without disabilities. In part, this trend is likely attributable to lower income, as individuals with disabilities are more likely to live in a household with less income, and perhaps are less likely to file income tax returns, or to obtain assistance in filing income taxes and claiming appropriate credits and deductions. Almost three times the number of people with

disabilities (26%), compared to those without disabilities (9%), have household incomes \$15,000 or below according to the 2004 N.O.D./Harris survey. One in five people with disabilities have incomes of \$15,001 to \$25,000, compared to 12% of people without disabilities. People with disabilities may not have sufficient expenditures to benefit from itemizing tax deductions, or there may be other reasons not yet identified.

Though people with incomes below a certain threshold are not required to file income tax returns, the Earned Income Tax Credit and the Child Tax Credit may refund money even if no taxes were paid. People with disabilities and low incomes may be aware of asset limits in federal and state disability programs and avoid these credits due to fear of losing benefits. They may disregard the credits due to lack of financial education, or because there were no available asset development programs. Education and awareness, on the part of individuals with disabilities or families with dependents with disabilities, and of professional tax advisors, may be a critical component to ensuring access to tax provisions.

One policy response to these issues is outreach and education on tax provisions. "Tax Facts" is a comprehensive, multifaceted outreach campaign to improve tax knowledge, financial education skills, and financial service relationships nationwide for persons with disabilities, their families and employers. ¹ One focus of the project is building coalitions between disability-related organizations and Volunteer Income Tax Assistance (VITA) sites. Among their provided services, VITA programs assist people with low income to file taxes, and promote the use of the Earned Income Tax Credit. Tax Facts focuses on favorable tax credits and financial relationships with banking institutions underutilized by persons with disabilities, their families, and employers. The project's goal is to expand opportunities for persons with disabilities and their families so they achieve economic independence and build assets.

The Tax Facts campaign's work with the IRS has resulted in publication of "Living and Working with Disabilities: Tax Benefits and Credits," IRS Publication 3966. The brochure highlights IRS publications and forms covering areas of tax policy, including tax deductions, income exclusions, credits, and benefits applicable for use by persons with disabilities or parents of children with disabilities.

Conclusion

Economic independence, starting with employment and income, and sustained through asset accumulation and homeownership, for people with disabilities is a national goal with economic impact and social impact. Employment of people with disabilities lags behind that of those without disabilities, and this is critical to the ability to earn and to save income. Examination of reasons for limited asset accumulation, however, must go beyond employment. Asset ownership for people with disabilities lags behind that of people without disabilities, as do relationships with financial institutions. Although in the present sample home ownership was comparable for those with and without disabilities, the interaction of homeownership with age and disability status merits further examination.

One explanation for the ability to own homes but not other assets may be because certain income maintenance and other programs, generic and specific to disability, disregard home ownership but put limits on other assets. Asset limits may impede the ability of people with disabilities to become economically independent by preventing people from turning their incomes into assets that provide stability and long-term security, and may discourage people with disabilities from working. Asset-disregards in benefit programs may play a role in increasing asset accumulation among people with disabilities.

Tax credits assist with the ability to employ people with disabilities, pay for accommodations, and with the ability to retain income and accumulate assets. But,

neither people with disabilities nor their employers are using tax credits at high rates. Education and outreach is one piece of the puzzle, more earned income to allow use of tax credits and deductions is another piece, and asset building programs with favorable treatment of saved income or matching dollars may be a third. Linking tax policy to asset policy likely will assist with accumulation of assets, for instance through volunteer income tax assistance promotion of saving tax refunds (Beverly and Dailey, 2003). Financial education through IDA programs may be a gateway to establishing banking relationships, which will promote asset accumulation.

As with much research, the findings here raise more questions than they answer. Economic independence requires attention to many issues. The 2004 N.O.D./Harris Survey of Americans with Disabilities provides insight into the complex issues important to understand the status of people with disabilities and their ability to move from poverty.

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Endnotes

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