

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 365  
Budget and Taxation

(Senator Raskin, *et al.*)

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**Income Tax Credit - Web Site Modifications - Accessibility for the Blind**

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This bill creates a refundable tax credit against the State income tax for the cost incurred to make a website accessible to blind individuals. The credit is for costs directly related to making a website accessible to and independently usable by blind individuals, and the credit may not be claimed for general costs for creating a website. An individual or corporation claiming the credit must be able to verify the cost incurred. The Comptroller's Office is required to adopt regulations to implement the credit, including establishing the types of eligible costs of accessibility allowed and verification needed to claim the credit.

The bill takes effect July 1, 2013, and applies to tax year 2013 and beyond.

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**Fiscal Summary**

**State Effect:** Potential significant decrease in general fund, Transportation Trust Fund (TTF), and Higher Education Investment Fund (HEIF) revenues beginning in FY 2014 due to the website accessibility credit. General fund expenditures increase by an estimated \$105,000 in FY 2014 for one-time start-up costs.

**Local Effect:** Potential significant decrease in local highway user revenues beginning in FY 2014. Expenditures are not affected.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Current Law:** No similar State tax credit of this type exists, although businesses can deduct the costs of making their websites accessible to blind individuals as a business expense, which typically lowers federal and State income tax liability. No other state offers a similar credit for website accessibility. Under federal income tax law, a qualifying small business may claim the Disabled Access Credit. The Disabled Access Credit provides a nonrefundable credit for a small business that incurs expenditures for the purpose of complying with the Americans with Disabilities Act to provide access to persons with disabilities. The amount of the credit is 50% of the amount of eligible expenditures that exceed \$250 but do not exceed \$10,250. An eligible small business is one that earned \$1.0 million or less or had no more than 30 full time employees in the previous year, and the credit may be claimed for each year that expenditures are incurred. No other credit or deduction may be claimed for expenses related to this credit.

**Background:** Nearly 100,000 State residents are either blind or have serious difficulty seeing even when wearing glasses.

A website can be designed in ways that improve access for blind or visually impaired users. For example, if a website is coded with semantically meaningful HTML, with textual equivalents provided for images and with links named meaningfully, visually impaired users can more easily use text-to-speech software and/or text-to-Braille hardware to navigate the website.

Section 504 of the federal Rehabilitation Act of 1974 requires any entity receiving federal financial assistance to ensure program accessibility, while Section 508 requires electronic and information technology to be accessible to people with disabilities, including federal employees and members of the public. The Americans with Disabilities Act of 1990 generally prohibits discrimination based on disability, and it covers government entities on the Internet as well as providers whose services are deemed to be public accommodations.

**State Revenues:** General fund, TTF, and HEIF revenues will decrease by a potentially significant amount beginning in fiscal 2014. However, the amount of revenue loss cannot be reliably estimated and depends on the number of businesses in the State that would opt to create an accessible website and the costs for businesses to do so.

There are approximately 109,000 business entities located in Maryland, of which an estimated 47% have websites. The National Federation of the Blind estimates that only 10% of businesses have accessible websites for the blind, so approximately 46,000 businesses would be eligible for the credit. The number of qualified businesses that would seek the tax credit is unknown.

The cost of making a website accessible depends on the type and complexity of the website. A basic HTML site will take on average 55.5 hours for a large site and 1.125 hours for a small site to make accessible. A small multimedia site may take 44 hours to become accessible, while a small moderately interactive site may only take 9 hours to become accessible. A multipurpose site takes an estimated 105 hours to make accessible. It is significantly less expensive to create an accessible website from the beginning than to retool it later. Given the varying degrees of complexity to make a website accessible, costs can range from \$600 to over \$20,000.

**Exhibits 1 and 2** show the potential revenue losses depending on the number of businesses that qualify and with an average credit of \$1,500 and \$6,000, respectively. With no cap on the maximum amount of credit a business or individual may receive, the exact impact cannot be reliably quantified.

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<b>Exhibit 1</b>		<b>Exhibit 2</b>	
<b>State Revenue Reduction</b>		<b>State Revenue Reduction</b>	
<b>\$1,500 Credit</b>		<b>\$6,000 Credit</b>	
<u>Number of</u>		<u>Number of</u>	
<u>Qualifying Websites</u>	<u>Total</u>	<u>Qualifying Websites</u>	<u>Total</u>
2,500	\$3,750,000	2,500	\$15,000,000
5,000	7,500,000	5,000	30,000,000
10,000	15,000,000	10,000	60,000,000
15,000	22,500,000	15,000	90,000,000
20,000	30,000,000	20,000	120,000,000
25,000	37,500,000	25,000	150,000,000

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**State Expenditures:** The Comptroller’s Office reports that it would incur a one-time expenditure increase of \$105,000 to add the tax credit to the corporate and personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems and system testing.

**Local Revenues:** Local governments receive a portion of corporate income tax revenues to support the construction and maintenance of local roads and other transportation facilities. Under this bill, local highway user revenues decrease by a potentially significant amount beginning in fiscal 2014.

**Small Business Effect:** Qualifying small businesses are meaningfully impacted through lower taxes and potentially reaching a broader audience or clientele due to enhanced

accessibility. Small businesses that specialize in website accessibility are positively impacted.

The tax credit is in addition to the federal Disabled Access Credit or any federal deduction for business expenses, which typically result in lower federal and/or State income tax liabilities. The combined effect of the tax benefits may reduce federal and State tax liabilities in an amount greater than the cost of making a website accessible.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 550 (Delegate Rosenberg) - Ways and Means.

**Information Source(s):** Department of Disabilities; Comptroller's Office; Accessible Tech; CCH IntelliConnect; Cornell University Information Technologies; Google Get Your Business Online; National Federation of the Blind; U.S. Census Bureau; U.S. Small Business Administration; Department of Legislative Services

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