

IRS



News Release

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IRS WARNS OF SCHEMES PROMOTING USE OF DISABLED ACCESS CREDIT

WASHINGTON – The Internal Revenue Service today warned taxpayers, especially the elderly, to beware of a fraudulent investment scheme that entices people to improperly use the Disabled Access Credit. The credit is intended to help small businesses offset costs associated with bringing their business into compliance with the Americans with Disabilities Act.

A typical fraudulent scheme works like this: Unscrupulous promoters sell expensive coin-operated pay telephones to individual investors, rather than businesses. As part of the sale, the company agrees to lease back and service the phones, usually for a fee. Investors are promised low risk, steady income with guaranteed annual returns. Investors also are incorrectly being advised that they are entitled to claim the Disabled Access Credit of up to \$5,000 on their individual tax return because the telephones have volume controls.

The Federal Trade Commission has determined that these promises are false and misleading. Consumers are being deceived about the availability of local, profitable payphone locations, start-up assistance and equipment they would receive as part of the venture, as well as their ability to claim the Disabled Access Credit. The telephones are not even delivered in some schemes.

“To be eligible to claim the credit, you must have a bona fide business, and you must have incurred expenses to bring your business into compliance with the Americans with Disabilities Act,” said Dale Hart, deputy commissioner, Small Business/Self Employed Division.

The IRS disallows this credit if it is claimed by taxpayers not operating as a business or who do not qualify as an eligible small business. The IRS also will disallow the credit if the purchase is not an expense that would make a business accessible to disabled individuals.

Form 8826, “Disabled Access Credit,” contains more information. For information about this and other tax credits available to businesses, refer to Publication 334, “Tax Guide For Small Business,” or visit www.irs.gov.

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