

## Hiring Incentives to Restore Employment (HIRE) Act

May 3, 2010

On March 18, the **Hiring Incentives to Restore Employment (HIRE) Act** was signed into law; it provides two new tax benefits to employers hiring workers who were previously unemployed.

### **Social Security Tax Exemption**

The 6.2% Social Security tax exemption applies to 2010 wages paid after March 18 and before January 1, 2011, to individuals hired after February 3, 2010 (in effect, exempting employers from their share of Social Security taxes paid to these workers). This reduced tax withholding will have no effect on the employee's future Social Security benefits, and employers would still need to withhold the employee's 6.2% share. The employer and employee's shares of Medicare taxes still apply.

#### ***Who Qualifies?***

- New hires that have been unemployed during the last 60 days before beginning work or, alternatively, worked less than a total of 40 hours for someone else during the 60-day period; the employee's wages must not exceed the \$106,800 Social Security wage base. The employer is required to get a signed statement from each eligible new hire certifying this information, using the new Form W-11.
- New hires filling existing positions also qualify but only if the workers they are replacing left voluntarily or for cause. Family members and other relatives do not qualify.
- Businesses, agriculture employers, tax-exempt organizations and public colleges and universities all qualify to claim the payroll tax benefit for newly-hired employees. Household employers cannot claim this new tax benefit.

#### ***How does an employer claim this benefit?***

- Employers claim the payroll tax benefit on their federal employment tax return, usually filed quarterly, with the IRS. Eligible employers will be able to claim the new tax incentive on their revised employment tax form for the second quarter of 2010. (WorkLife HR<sup>SM</sup> completes this federal employment return for all its clients).

#### ***How long can the employer claim the benefit?***

- The benefit applies to wages paid between March 18, 2010 and December 31, 2010.
- There is no limit on the total amount of the benefit that can be claimed, so employers will receive greater tax benefits by hiring individuals earlier in the year. Employers can save up to \$6,621.60 per qualifying worker.

### **How will WorkLife HR help you take advantage of this tax reduction?**

- WorkLife HR will work with you to ensure you receive the maximum payroll tax incentive.
- We will issue a quarterly credit after we file your federal employment tax return. The credit will be calculated based on the required employee certification.
- WorkLife HR will continue to update you as the IRS makes further details available in the coming weeks.

### **How to submit a claim:**

- Each qualified employee needs to complete and sign Form W-11 (see attached); the signed form should be emailed or mailed to your payroll processor.
  - WorkLife HR Tax Personnel will update the required fields in our payroll software (modified to track qualified employees) based upon the completed form and will acknowledge receipt to the payroll processor assigned to your company. The payroll processor will notify you, the client, that this has been completed. The Tax Personnel will provide the payroll processor with the credit that should be applied to your invoice each quarter.

### **Business Tax Credit**

In addition to the payroll tax incentive, for each worker retained for 52 consecutive weeks, employers may claim a general business tax credit when they file their 2011 income tax return; this business credit will be the lesser of \$1,000 or 6.2% of the wages paid by the employer during the retention period.

For the employer to claim this additional credit, wages paid during the previous 26 weeks must equal at least 80% of wages during the first 26 weeks of employment.

As a WorkLife HR client, you can count on us to provide services and information to help you understand and take advantage of complex employment-related tax credits. You can be assured that we will continue to take care of the administrative details so you can focus on running your business.

Should you have any questions, please feel free to contact the WorkLife HR Tax Department.

*IMPORTANT: This document is designed to provide a general overview of the subject. It does NOT attempt to cover all of the law's provisions and should NOT be used as legal advice for implementation activities. We encourage you to seek professional advice, including legal counsel, regarding how the new requirements will affect your specific circumstances.*

# WorkLife HR<sup>SM</sup> | *FlashPoint*

*Employer Alerts to keep you, our Valued Client, in the know...*

We take great care in the preparation of our articles and announcements. It may be very important to consult with us or other professional advisors before implementing ideas contained in articles and announcements.

Many ideas have complexities and nuances that cannot be adequately detailed in the articles or announcements. We are not responsible for errors, misinterpretations, or omissions, related to these articles or announcements.

This article may provide an analysis or discussion of tax matters or tax planning opportunities. Where tax matters or planning is discussed it is intended only as an introduction to a topic or to provide a general analysis of a topic and is not intended to be applied to a particular circumstance without further analysis. If a reader would like to determine if a tax planning opportunity set out in an article may apply to his or her circumstances then the services of a competent tax professional should be sought. Further, in accordance with *IRS Circular 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service*, the information in this article is not intended or written to be used as, and cannot be used as or considered to be a "covered opinion" or other written tax advice, and should not be relied upon for the purposes of (1) avoiding tax-related penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any transaction or tax-related matter(s) addressed herein, for IRS audit, tax dispute or other purposes.

