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HIRE ACT OFFERS TAX INCENTIVES TO EMPLOYERS

The Hiring Incentives to Restore Employment (HIRE) Act offers tax relief to businesses and not-for-profit organizations that add employees to their payrolls this year. Under the HIRE Act, nongovernmental employers and public higher education institutions can receive limited payroll tax relief on wages paid to qualifying individuals after March 18, 2010, through the end of 2010. The HIRE Act also offers these employers a tax credit for retaining the workers they hire.

What payroll tax savings are available? The HIRE Act relieves employers of the obligation to pay the employer's share of Social Security tax on qualifying wages paid to newly hired employees who meet certain conditions. The employer's share amounts to 6.2% of the employee's wages up to \$106,800. (For any qualifying wages paid during the first quarter, the tax reduction is treated as a payment against the employer's second quarter Social Security tax liability.)

Which new hires qualify? Employees who begin work after February 3, 2010, and before January 1, 2011, can qualify if certain requirements are met. First, the new employee cannot be a replacement for a former employee *unless* the former employee was terminated for cause or left voluntarily. Second, the employer must obtain a signed affidavit from the worker certifying that he or she hasn't been employed for more than 40 hours during the 60-day period ending on the date employment begins. And third, the employee can't be "related" to the employer.

How much is the tax credit for retained workers? For each newly hired worker retained for at least 52 consecutive weeks, an employer generally may claim a credit equal to the lesser of (1) \$1,000 or (2) 6.2% of wages paid to the retained worker during the 52-week period. But note: The credit is available only if the amount of wages paid to the employee during the last 26 weeks of the 52-week period is at least 80% of the amount paid during the first 26 weeks of the period.

In what tax year is the credit claimed? The tax credit is claimed in the tax year in which the employee first satisfies the requirement of working 52 consecutive weeks for the employer.

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