



Growing Profits.
Reducing Taxes.

The HIRE Act

On March 18, 2010, the Hiring Incentives to Restore Employment (HIRE) Act was signed into law. This Act gives employers an opportunity at two new tax benefits if they hire certain “qualified employees” after February 3, 2010 and before January 1, 2011.

The first benefit is a payroll tax exemption that allows employers to avoid paying their 6.2% matching portion of the “qualified employee’s” Social Security Taxes. The payroll tax exemption is in effect for wages paid from March 19, 2010 through December 31, 2010. The exemption is **only** on the employer’s matching share of Social Security taxes. The employer still needs to pay their matching portion of the employee’s Medicare taxes and the employee still pays for their portions of Social Security and Medicare taxes.

The second benefit is a general business tax credit. To receive this benefit, the “qualified employee” must be retained for at least 52 consecutive weeks. The credit is based on 6.2% of wages paid to the qualified employee over the 52 week period, up to a maximum credit of \$1,000 per employee. The credit will be recognized when filing the 2011 income tax return. For owners of partnerships and S-Corporations, the credit will be passed through to the owners to be reported on their individual return.

Qualified Employees

A “qualified employee” is one that had been previously unemployed, or, had been employed for a period of less than 40 hours at least 60 days before they were hired. A qualified employee cannot be a family member or any other related individual of the employer. The employee cannot be hired to replace an existing worker unless the existing worker terminated employment voluntarily or was terminated for cause. The qualified employee must also sign an affidavit certifying that they meet these requirements. Form W-11 has been developed by the IRS to be used as an affidavit for this purpose. A copy of this form can be accessed here <http://www.irs.gov/pub/irs-pdf/fw11.pdf>.

There is no minimum age requirement for eligible employees and there are no minimum hours that the employee needs to work to qualify. It is also not necessary that the individual had been laid off from a previous job to qualify. For example, recent college graduates who have been in school for some or all of the 60 days preceding employment would qualify as long as they met the other requirements.

As with all tax legislation, there are many details and specifics that are not addressed here. Please call us and we can help you through whatever questions or issues that you may have.