

the **NEW**

# Legislation Corner



## Washington's new HIRE Act

*Tax benefits give businesses hiring incentives in 2010*

On March 18<sup>th</sup>, President Obama signed into law a new bill called the Hiring Incentives to Restore Employment (HIRE) Act. The president said that the new HIRE Act will not only encourage businesses to hire for new positions while helping small business owners, but also "promote a strong, dynamic private sector" to drive job creation overall.

The new law provides two new tax benefits to employers, including a payroll tax incentive and a business tax credit, to employers who hire unemployed workers from Feb. 3<sup>rd</sup> through the end of 2010.

### Payroll Tax Incentive

Employers who hire unemployed workers may be eligible to receive a 6.2% tax exemption for wages paid after March 18<sup>th</sup>, through December 31<sup>st</sup> 2010.

- The new law essentially creates an exemption from the employers' portion of Social Security taxes for wages paid to these employees during the noted time period.
- The tax incentive is available to employers immediately, as the 6.2% tax-break would benefit them each payroll.
- The reduced employer tax will not affect the employee's 6.2% portion of Social Security, and the employee's future Social Security benefits also remain unchanged. Medicare will also remain the same for both parties.
- Eligible employers will claim the payroll tax benefit on the Federal tax return filed with the IRS (usually quarterly). The 2010 2<sup>nd</sup> Quarter tax return will be revised in order to allow for this.
- The law does not limit the amount of tax incentive any one employer can claim. Each worker hired within the date parameters will benefit the employer, whether it's one employee, or several hundred employees.

### Business Tax Credit

An additional tax credit of up to \$1,000.00 per employee may be claimed on 2011 income tax returns, by businesses that retain the qualified worker for at least a year (52 weeks).

### Requirements of Eligibility

The new bill applies to eligible employers who hire workers that meet the bill's requirements during the specified time frame.

- The HIRE Act is intended to apply to new positions on the payroll. Individuals hired to fill existing positions only qualify if the person they are replacing left voluntarily, or for cause.
- Family members and other relatives do not qualify.
- The tax benefits are available to private businesses, agricultural employers, non-profit organizations, and public colleges and universities. Household employers are not eligible for the benefit.
- The employee will need to have been unemployed for at least 60 days prior to hiring, and must not exceed the Social Security wage base of \$106,800.00.
- The law requires that the new hire certify by a signed statement that he or she was either unemployed for the 60 days preceding the hire date, or worked fewer than 40 hours for a different employer during those 60 days.
- Eligible employees are those hired beginning Feb. 3<sup>rd</sup>, 2010 and before Jan. 1<sup>st</sup> 2011.

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