

YOU MAY QUALIFY FOR SUBSTANTIAL TAX CREDITS

The Hiring Incentives to Restore Employment (HIRE) Act passed in Congress and was enacted into law on March 18, 2010.

The HIRE Act created two new tax benefits designed to encourage employers to hire and retain new workers. As a result, employers who hire unemployed workers this year (after Feb. 3, 2010, and before Jan. 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from the employer's share of social security tax on wages paid to these workers after March 18. This reduction will have no effect on the employee's future Social Security benefits, and employers would still need to withhold the employee's 6.2-percent share of Social Security taxes, as well as income taxes. In addition, for each unemployed worker retained for at least a year, businesses may claim a new hire retention credit of up to \$1,000 per worker when they file their 2011 income tax returns.

These two tax benefits are especially helpful to employers who are adding positions to their payrolls. 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 for either of these tax incentives.

Businesses, agricultural employers, tax-exempt organizations, tribal governments and public colleges and universities all qualify to claim the payroll tax exemption for eligible newly-hired employees. Household employers and federal, state and local government employers, other than public colleges and universities, are not eligible. IRS.gov has more details.

New Form W-11 Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit is now posted on IRS.gov, along with answers to frequently-asked questions about the payroll tax exemption and the related new hire retention credit. The new law requires that employers get a statement from each eligible new hire, certifying under penalties of perjury, that he or she was unemployed during the 60 days before beginning work or, alternatively, worked fewer than a total of 40 hours for anyone during the 60-day period. Employers can use Form W-11 to meet this requirement. Though employers need this certification to claim both the payroll tax exemption and the new hire retention credit, they do not file these statements with the IRS. Instead, they must retain them along with other payroll and income tax records.

How to Handle through Payroll

Please notify Payroll Processors when submitting payroll which employees qualify for this tax credit. Upon processing the payroll you will see a reduction in the employers' portion of Social Security Taxes. This information will also be reported on the Quarterly 941 beginning with 2nd Quarter 2010.

Additional information can be found at www.IRS.gov.

Form W-11 can be found under the Resources section at www.PayrollProcessors.com