

2010 HIRE ACT **Hiring Incentives to Restore Employment**

Overview of Key Changes Affecting Businesses

BUSINESS INCENTIVES

Extension of enhanced small business expensing (Sec 179)

- \$250,000 – dollar limitations and phase outs are the same as 2008 & 2009

PAYROLL INCENTIVES

- ✓ Business owners cannot take advantage of these benefits to hire relatives. An individual who is unrelated but is a dependent of anyone who owns, directly or indirectly, more than 50% in value of the outstanding stock, won't qualify.
- ✓ Companies cannot fire a current employee and hire a new employee covered by the HIRE Act to take the existing position, unless the original employee quit or was fired for cause.
- ✓ Recalling laid off workers can qualify - rehiring of former employees is eligible, as long as they have been unemployed for the 60-day period.

Businesses, agricultural 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 the new tax benefit.

Form W-11: Qualified employees must submit Form W-11 to the employer as certification of their unemployment. They must have been unemployed for 60 days before beginning work, or alternatively, worked less than a total of 40 hours for someone else during the 60-day period.

Social Security Tax Exemption

- Affects businesses of all sizes
- Only affects New Hires beginning work after 2/3/10 and before 1/1/11.
- Allows employers a 6.2% social security payroll tax credit (applied to FICA) through 12/31/10. Companies can save a maximum of \$6,621 if it hired an unemployed worker and paid that worker at least \$106,800 by the end of the year.
- Wages paid to these workers after March 18, 2010 receive the exemption.
- Employers will be able to claim the new tax incentive for the revised employment tax form beginning in the *second quarter* of 2010.
- Full time and part time employees both qualify, there is no age limit.

General Business Tax Credit – Retention Credit

- Income Tax Credit – which is either \$1,000 for each qualifying worker hired after 2/3/10 and employed for at least 52 consecutive weeks, or 6.2% of wages paid to the qualifying worker over the 52-week period, whichever is less. Wages during the last 26 weeks must be at least 80% of wages paid for the first 26 weeks.
- Credit will be claimed on 2011 Tax Returns.

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