



Legislative Brief

The HIRE Act of 2010



EXECUTIVE SUMMARY

President Obama signed the Hiring Incentives to Restore Employment Act (HIRE Act) on March 18, 2010. The HIRE Act was enacted to foster job growth through immediate tax incentives to employers who hire formerly unemployed or part-time workers. The HIRE Act:

- offers tax breaks to covered employers for hiring qualified individuals in 2010 on or after **February 3, 2010**;
- gives employers incentives to retain workers for at least one year; and
- applies to for-profit and not-for-profit private sector employers of any size, as well as public higher education institutions.

This Benefit & Compensation Specialists, PLLC Legislative Brief provides an overview of the HIRE Act. Please read below for more information.

OVERVIEW OF THE HIRE ACT

Payroll Incentives

The HIRE Act was intended to offer a much-needed tax incentive to employers willing to expand their payrolls. Employers who hire qualified formerly unemployed or part-time workers this year (after February 3, 2010 and before January 1, 2011) may be eligible for a 6.2 percent payroll tax incentive. Under the incentive, qualified employers are exempt from their share of Social Security taxes on wages paid to these workers after March 18, 2010. This reduced tax withholding will have no effect on the employee's future Social Security benefits. Employers still need to withhold the employee's 6.2 percent share of Social Security taxes, as well as income taxes. The employer and employee's shares of Medicare taxes would also still apply to these wages.

General Business Tax Credit

For each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 income tax returns. In order for an employer to be eligible for this business tax credit, the qualified individual must be employed by the employer for a period of not less than 52 consecutive weeks, and the employee's wages for such employment during the last 26 weeks of the period must equal at least 80 percent of the wages for the first 26 weeks of the period.

Qualified Employers

Private sector businesses, agricultural employers, tax-exempt organizations and public colleges and universities all qualify to claim tax benefits for hiring qualified individuals. Those who do not qualify include household employers, other federal, state and local government employers and governmental instrumentalities.

Qualified Individuals

A qualified employer must hire a qualified individual in order to receive the tax breaks and incentives. The HIRE Act defines a qualified individual as one who:

- begins employment with a qualified employer after February 3, 2010, and before January 1, 2011;
- provides the employer with a signed affidavit certifying that he or she was unemployed during the 60 days before beginning work or, alternatively, worked fewer than a total of 40 hours for someone else

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during the 60-day period (the IRS is currently developing a form employees can use to make the required statement);

- was not hired to replace another employee, unless such employee voluntarily quit or was terminated for cause; and
- is not a family member.

How to Claim Benefits

Employers claim the payroll tax benefit on the federal employment tax return they file, usually quarterly, with the IRS. Qualified employers will be able to claim the new tax incentive for the first quarter wages paid to qualified individuals on their revised employment tax form for the second quarter of 2010. For each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 income tax returns.

Revised forms and further guidance on these two new tax provisions will be released by the IRS in the near future. An employer should carefully consider whether it can benefit from this new law, after consulting with the appropriate human resources, payroll and tax consultants.

Other Miscellaneous Provisions

The HIRE Act also provides for other miscellaneous business incentives in an effort to increase employment. For example, the HIRE Act includes funding for major transportation projects and extends capital expenditures (up to \$250,000) tax deductions for small and mid-sized businesses.

The President and congressional leaders have promised more legislative action, like the HIRE Act, to increase job growth. Benefit & Compensation Specialists, PLLC will keep on top of developments regarding these and other legislative initiatives and will work to keep you informed.

This Benefit & Compensation Specialists, PLLC Legislative Brief is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

Contact BCS with questions: 281-333-2255 or visit our website at: www.bcspec.com