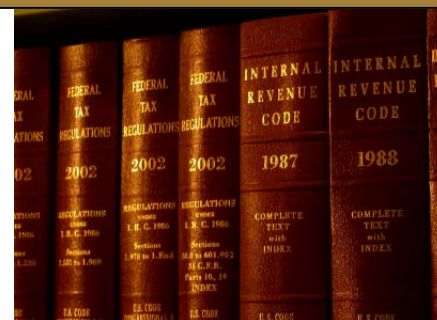


March 18, 2010

HIRING INCENTIVES TO RESTORE EMPLOYMENT (HIRE) ACT – Tax benefits to employers



John R. LaBar
Attorney at Law



On March 18, 2010, President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act. The HIRE Act is designed to encourage employers to hire and to retain new employees.

In order to accomplish its goals, the HIRE Act creates two new tax benefits to employers hiring workers who were previously unemployed or working only part time. Some of the major benefits to employers are as follows:

(i) **Temporary Relief from Certain Payroll Taxes.** Qualified employers who hire Qualified Workers will be exempt from paying the Old Age, Survivors and Disability Insurance (“OASDI”) portion of Social Security Taxes for certain new Qualified Workers after March 18, 2010 and until December 31, 2010. The exemption for qualified employers is only for the employer’s portion of the Social Security Taxes and, not the employee’s portion.

This reduced tax withholding will have no effect on the employee’s future Social Security benefits and qualified employers would still need to withhold the employee’s 6.2% 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.

Businesses, agricultural employers, tax-exempt organizations and public colleges and universities all qualify to claim the payroll tax benefit for eligible newly-hired employees, but household employers cannot. Employers can 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 on their revised employment tax form for the second quarter of 2010.

This publication is a service to our clients and friends. It is designed to give only general information on the topic actually covered and is not intended to be a comprehensive summary of recent developments in the law, to treat exhaustively the subjects covered, to provide legal advice, or to render a legal opinion.



MARCH 18, 2010

**HIRING INCENTIVES TO RESTORE EMPLOYMENT ACT – Tax
Benefits to Employers**



A “Qualified Worker” must begin employment with a qualified employer after February 3, 2010 and before January 1, 2011. The Qualified Worker must not have been employed more than Forty (40) hours during the Sixty (60) days ending on the date employment begins with the qualified employer. The employee may be either full or part-time. Workers of an employer that have been previously laid off may be rehired and still qualify. However, a Qualified Worker cannot displace a current employee of the employer unless that employee voluntarily left the employer or the employee is discharged “for cause”. There are also additional limitations as to employees related to the employer or its owners.

The HIRE Act also requires that the employer get a statement from each eligible Qualified Worker certifying that he or she was unemployed during the Sixty (60) days before beginning work or, alternatively, that the Qualified Worker worked less than a total of Forty (40) hours for someone else during the prior Sixty (60) day period. The IRS is currently developing a form employees can use to make the required statement.

(ii) **Tax Credit for Retained Workers.** In addition to the OASDI tax benefit set forth above, if a Qualified Worker continues to work for a qualified employer for Fifty-Two (52) consecutive weeks, that employer may also be eligible to claim an additional general business tax credit of up to \$1,000 per worker when they file their 2011 income tax returns. The business tax credit would be the lesser of \$1,000.00 or 6.2% of the wages paid by the employer to the Qualified Worker during the Fifty-Two (52) week period. In addition, the Qualified Worker must be paid an amount in the last Twenty-Six (26) week period equal to at least Eighty (80%) percent of his or her wages during the first 26-week period of the 52-week period. For businesses with a calendar year end, this business tax credit will be eligible to be taken on the employer’s 2011 tax return.

The IRS has indicated that it will post revised forms and further details on these two new tax provisions on its Web site: <http://www.IRS.gov> during the next few weeks.

If you wish to discuss employment or tax related issues with respect to your business, Henry & McCord would be happy to provide such advice. You may contact John R. LaBar at (931) 455-9301 to schedule an appointment.

CIRCULAR 230 DISCLOSURE: Henry & McCord informs you that any tax advice contained in this Client Alert was not intended or written to be used, and cannot be used, for the purpose of avoiding federal tax related penalties, or promoting, marketing or recommending to another party any transaction or matter addressed herein.

