

Hiring Incentives to Restore Employment (HIRE) Act

New Act Provides Hiring Incentives and Other Stimulus for Businesses

President Obama signed the first major tax bill of 2010 on March 18 – The \$18 billion *Hiring Incentives Restore Employment (HIRE) Act* provides incentives for hiring and retaining workers along with extension of some other business tax incentives.

The HIRE Act makes significant and relatively straight forward tax incentives available to most businesses and employers.

Here is a breakdown of the key benefits:

- (2010 Benefit) - The bill exempts an employer from paying the 6.2% employer portion of social security taxes for 2010 on qualifying employees. Qualifying employees includes anybody that has **not worked more than 40 hours in the last 60 days** and the new employee has to have been hired between February 3 and December 31, 2010. The employee cannot displace a current employee unless that employee separates voluntarily from employment or is dismissed for cause.

Employers will not begin to receive actual benefit from this tax incentive until the 2nd quarter of 2010 to give accounting software companies and payroll services time to modify their software and the government to update tax forms. Please contact us if you believe you have eligible employees and need help with the documentation process.

Planning tip: Note the new employee does not need to be a full time employee – part time employees qualify. Therefore, this may be a great incentive for hiring if you have a temporary need.

- (2011 Benefit) – In relation to the new employees – if a business keeps that new employee for 52 consecutive weeks, the business qualifies for an additional *Retained Worker Business Credit*, with a maximum additional \$1,000 credit per qualifying employee to be paid in 2011.
- (2010 Extenders) – This bill extends several business incentives – here are a few of them:
 - The increased first-year business depreciation deduction remains at \$250,000 for 2010;
 - Qualifying leasehold improvements classification is extended for 2010;
 - *Renewal Community Credit* continues as it was under prior law, as does the
 - *Research and Development Credit*

Employment Incentives in the HIRE Act

FICA Tax Exemption

- Employees starting after February 3, 2010
- New employee must not have been employed more than 40 hours during 60 day period prior to employment
- On wages paid 3/18-12/31/2010
- Employees cannot displace a current employee unless previous employee left voluntarily or *for cause*

Retained Worker Business Credit

- A \$1,000 credit for each qualified worker employed for at least 52 weeks;
- or-
- Credit for 6.2% of wages paid to qualifying worker over 52 week period;
- whichever is less