



Putting the human back into human resources

New HIRE Act Incentives

On March 18, 2010, President Obama signed new legislation that is aimed at spurring employment. The HIRE act contains more than \$17 billion in funds through tax credits to help stimulate employment. The act also includes \$20 billion for highway and transit infrastructure programs that will also stimulate hiring through out the country.

The HIRE act is established in a way that enables an employer to claim a tax credit if an employer hires an unemployed worker between February 3, 2010 and January 1, 2011. The employee must complete an affidavit, IRS Form W-11 saying that they have not been employed in a full time position during the preceding 60 days. The employee may not be hired to replace another employee, unless that employee has left employment voluntarily, or was discharged for cause as defined within the act. The newly hired employee may also not be related to the employer.

Employers may claim a tax credit for the employer's matching portion of the federal social security tax in the amount of 6.2% of wages up to the maximum social security wage base for 2010, which is \$106,800.00. The credit may be claimed on the employer's federal payroll tax return, typically filed quarterly on their 940 report.

The maximum credit an employer may claim per newly hired employee for the social security match is \$6,621.60. However, there is no limit to the number of qualified newly hired employees the employer may add to their company, and the maximum credit of \$6,621.60 applies for each qualified new hire.

There are additional incentives for employers who retained a qualified employee for a period of 52 consecutive weeks in the amount of \$1,000.00 per employee. This additional tax credit may be claimed by the employer at the time the employer files their 2011 income tax return.

The reduced social security tax match will not have an adverse impact on the qualified employee's future social security benefits. The employer and the employee are still responsible for all taxes associated with Medicare taxes on all wages.

Employers should check with their payroll vendor to ensure that they are set up to properly handle those employees who will qualify the employer for the tax incentive so that the employer's matching social security tax credit is properly handled for their tax reporting to the IRS.