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## **Hiring Incentives to Restore Employment (HIRE) Act**

### **Two New Tax Benefits Aid Employers Who Hire and Retain Unemployed Workers**

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WASHINGTON — Two new tax benefits are now available to employers hiring workers who were previously unemployed or only working part time. These provisions are part of the Hiring Incentives to Restore Employment (HIRE) Act enacted into law today.

#### **Employer Social Security Tax Exemption**

Employers who hire unemployed workers this year (after Feb. 3, 2010 and before Jan. 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from their share of Social Security taxes on wages paid to these workers after March 18, 2010 up to the Social Security wage base of 106,800. This reduced tax withholding will have no effect on the employee's future Social Security benefits, and employers would 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.

In addition, the new law requires that the employer get a signed affidavit from each eligible new hire certifying that he or she was unemployed during the 60 days before beginning work or, alternatively, worked less than a total of 40 hours for someone else during the 60-day period. The IRS is currently developing a form employees can use to make the required statement.

#### **Income Tax Credit**

In addition, for each new worker, businesses may claim an additional general business tax credit, up to \$1,000 per worker hired after February 3, 2010, or 6.2% of wages paid to the qualifying worker over the 52-week period, whichever is less. This credit is claimed when they file their 2011 income tax returns.

The two tax benefits are especially helpful to employers who are adding positions to their payrolls. New hires filling existing positions also qualify but only if the workers they are replacing left voluntarily or for cause. Family members and other relatives do not qualify.

Businesses, agricultural employers, tax-exempt organizations and public colleges and universities all qualify to claim the payroll tax benefit for eligible newly-hired employees. Household employers cannot claim this new tax benefit.

Employers claim the payroll tax benefit on the federal employment tax return they file, usually quarterly, with the IRS. Eligible employers will be able to claim the new tax incentive on their revised employment tax form for the second quarter of 2010. Revised forms and further details on these two new tax provisions will be posted on IRS.gov during the next few weeks.