

HIRE Act Payroll Tax Exemption: Under the Hiring Incentives to Restore Employment (HIRE) Act, enacted March 18, 2010, two new tax benefits are available to employers who hire certain previously unemployed workers ("qualified employees").

The first, referred to as the payroll tax exemption, provides employers with an exemption from the employer's 6.2 percent share of social security tax on wages paid to qualifying employees, effective for wages paid from March 19, 2010 through December 31, 2010.

In addition, for each qualified employee retained for at least 52 consecutive weeks, businesses will also be eligible for a general business tax credit, referred to as the new hire retention credit, of 6.2 percent of wages paid to the qualified employee over the 52 week period, up to a maximum credit of \$1,000.

Who are qualified employees?

A-QE1: Qualified employees are individuals who begin employment with a qualified employer after February 3, 2010, and before January 1, 2011, who have been unemployed or employed for less than 40 hours during the 60-day period ending on the date such employment begins, who are not employed by the qualified employer to replace another employee of that employer, unless the other employee separated from employment voluntarily or was terminated for cause, and who are not family members of or related in certain other ways to the employer.

Updates: Following changes by the HIRE Act signed by President Obama on 3/18/10, employers hiring unemployed workers after 2/3/10 and before 1/1/11 may qualify for a 6.2% payroll tax incentive, in effect exempting them from their share of the Social Security tax on wages paid to these workers after 3/18/10. [Editor's note: The employee's 6.2% share of Social Security tax, as well as the employer and employee share of Medicare tax, still apply to the wages.] A revised Form 941 (Employer's Quarterly Federal Tax Return) and instructions, to be used in claiming the exemption beginning with the second calendar quarter of 2010, are now available for download on www.irs.gov. The IRS also updated its series of Frequently Asked Questions (FAQs) on the HIRE Act Payroll tax exemption.

For more detailed information and answers to FAQs, refer to
<http://www.irs.gov/businesses/small/article/0,,id=220749,00.html>