



LCS&Z, L.L.P. Certified Public Accountants and Consultants

**HIRING INCENTIVES TO RESTORE EMPLOYMENT (“HIRE”) ACT
New Tax Incentives for Employers**

The recently enacted HIRE Act provides two new tax incentives to employers¹ to encourage hiring certain unemployed individuals, “qualified employees”, in 2010.

Payroll Tax Exemption

Employers who hire qualified employees between February 4, 2010 and December 31, 2010 will be exempt from the employer’s share of Social Security taxes (the 6.2% on wages paid) for these qualified employees for the period of March 19, 2010 to December 31, 2010. Employers will claim this payroll tax exemption on the new IRS Form 941 starting with the 2nd quarter of the year.

New Hire Retention Credit

Employers who hire qualified employees between February 4, 2010 and December 31, 2010 and retain them for at least 52 consecutive weeks may claim a new hire retention credit of 6.2% of wages paid to each qualified employee over the 52-week period up to \$1,000 per employee. In order to qualify, the wages paid during the second half of the 52-week period must be at least 80% of wages paid during the first 26 weeks. The new hire retention credit falls under the general business tax credit that employers may claim on their 2011 tax returns.

Who are qualified employees?

Each new hire must sign an affidavit, under penalties of perjury (IRS Form W-11), certifying that he or she has been unemployed for at least 60 days prior to the start date of the new employment or has worked no more than 40 hours in the 60 consecutive day period before the start date of the new employment. In addition, the new hire cannot be related² to the employer or hired by the employer to replace an existing employee, unless that employee being replaced quit or was terminated for cause.

Please contact us at (518) 783-7200 or lcsz@lcszcpa.com if you need further information concerning the above.

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¹ Please note that this information does not cover those hiring domestic workers and governmental entities except for public colleges and universities.
² As described in IRS Form W-11 instructions.