

HIRE Act of 2010

(Hiring Incentives to Restore Employment-HIRE Act)

The Hiring Incentives to Restore Employment (HIRE) Act makes a new tax benefit available to employers who hire certain previously unemployed workers ("Qualified Employees"). 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 with wages paid from March 19, 2010 through December 31, 2010.

More information and questions answered can be found at the IRS web site or follow the link below.
<http://www.irs.gov/businesses/small/article/0,,id=220750,00.html>

SOCIAL SECURITY TAX FORGIVENESS

The 6.2% employer portion of the Social Security tax would be exempt for any qualified individual hires after February 3, 2010 and before January 1, 2011, for wages paid between March 19, 2010 and December 31, 2010 up to the \$106,800 Social Security wage base.

A qualified employee must certify by a signed affidavit, under penalties of perjury, a Form W-11: HIRE Act Employee Affidavit. A qualified individual must meet the following requirements:

1. Begins employment with a qualified employer after February 3, 2010, but before January 1, 2011.
2. Has not been employed for more than 40 hours during the previous 60 days. The individual must sign an affidavit attesting to the employer that he was not employed in the previous 60 days, or was employed for no more than 40 hours total during the previous 60 days.
3. Is not hired to replace another employee unless the previous employee was separated from employment voluntarily or for cause.
4. Is not a family member of the business owner.

An employer can save up \$6,622 in employer Social Security tax for each qualified hire. There is no limit to the total amount of tax benefits or hires during this period, so employers will receive greater tax benefits by hiring individuals earlier in the year.

Note: The Social Security tax exemptions can not be taken in conjunction with the Work Opportunity Tax Credit (WOTC).

PACWEST SOLUTIONS, INC. WILL MANAGE THIS CREDIT FOR THEIR CLIENTS.

BUSINESS CREDIT FOR RETENTION

A different provision of the Act gives an employer a maximum \$1,000 credit against its business income taxes for each qualified individual who is employed by the employer for at least 52 consecutive weeks and whose wages during the second 26 weeks of this period are at least 80% of the wages during the first 26 weeks of the period

The amount of the credit is the lesser of \$1,000 or 6.2% of the wages paid to the qualified individual during the year. The Business Tax Credit and the Social Security tax relief are separate and employers can claim both of them for the same employees. This credit is claimed on your 2011 tax return.

THE BUSINESS CREDIT FOR RETENTION IS THE SOLE RESPONSIBILITY OF THE CLIENT AND THEIR TAX ACCOUNTANT.
