
HIRE Act Provides Tax Incentives for New Jobs

Social Security taxes are a flat 12.4% of the first \$106,800 of a person's wages, salary or self-employment income. Employers pay half (6.2%) and employees pay half (the other 6.2%). For 2010 only, employers who hire previously unemployed or underemployed workers may be exempt from paying the employer's half of Social Security taxes through the end of 2010.

Businesses that hire new employees may qualify for a special tax credit for retaining newly hired employees for at least a full year. The tax credit is worth 6.2% of wages paid to the employee or \$1,000 (whichever figure is less). The tax credit is claimed by the employer on its business income tax return for 2011.

Employers who hire new employees in 2010 may be eligible for a special payroll tax exemption and/or a tax credit for retaining newly hired employees. Under the HIRE Act, employers may be exempt from paying the employer's half of Social Security taxes. Both the payroll tax exemption and the retention credit are available for businesses that hire a person who has not worked more than 40 hours in the 60 days prior to being hired by their new employer. The Internal Revenue Service has released Form W-11 [pdf] which enables employees to certify that they in fact meet this criteria. Please see form W-11 attached for your use if the opportunity arises.

Consultations on these and any other new tax laws are available at our office at our regular tax planning and tax consulting hourly rates.