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Tax Implications of the HIRE Act

In March, President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act, which seeks to encourage companies to hire and retain unemployed workers. The cost of the bill, \$17.6 billion, is partially offset by new foreign compliance provisions. For your information, what follows is a summary of the hiring and business stimulus provisions of the Act:

Payroll Tax Relief

The Act provides relief from the employer share of FICA tax when employers hire unemployed workers. The relief applies to wages paid from March 19, 2010 to December 31, 2010. The relief does not apply to public sector employers except for institutions of higher learning. The maximum savings is \$6,621.60 per employee based on the FICA maximum: ($\$106,800 \times 6.2\% = \$6,621.60$).

A qualified employee is one who:

1. started working after February 3, 2010. Eligible wages are only those paid for work after March 18, 2010 (date of enactment);
2. signs an affidavit that he or she has not worked more than 40 hours during the 60 days prior to starting work with the employer;
3. is not a replacement for another employee unless the prior employee left voluntarily or was terminated for cause; and,
4. is not related to the employer.

Since it would be too difficult to make these adjustments for the first quarter of 2010, FICA tax paid in on behalf of a

qualified worker in the first quarter of 2010 will be taken as a credit on payroll returns for the second quarter.



\$1,000 Credit for Each Retained Worker

A retained worker must meet all the tests for a qualified worker under the payroll tax relief provisions above (i.e., previously unemployed), plus the three criteria below:

1. employment began on any date during the year;
2. the person is employed for not less than 52 consecutive weeks; and,
3. the wages in the second half of the 52-week period are at least 80% of the wages in the first half of the 52-week period.

The amount of the credit is the lesser of \$1,000 or 6.2% of the wages paid. Wages of \$16,129.00 will yield the maximum credit of \$1,000. For calendar year employers, the 52-week requirement means the credit will be taken on the 2011 tax return.

Section 179 Limitations

The Act extends the 2009 limitations for one year. The taxpayer can expense up to \$250,000 of qualifying property under Section 179. The \$250,000 amount is reduced dollar for dollar to the extent that qualifying property placed in service for the year exceeds \$800,000. The provision is completely phased out once the cost of property placed in service during the year exceeds \$1,050,000. **h**

If you would like more information, please contact Tax Department Chairman Timothy W. Mulcahy, (631) 719-3325, TMulcahy@hrrllp.com.

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