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## Revised Form 941 for HIRE Act Payroll Tax Forgiveness

In the March/April 2010 issue of the *HRR Adviser*, we introduced you to the Hiring Incentives to Restore Employment (HIRE) Act. This act attempts to encourage companies to hire and retain unemployed workers. Since then, the IRS has revised a form related to payroll tax forgiveness.

Qualified employers are exempt from the employer's 6.2% share of Social Security tax on all wages paid to qualified employees from March 19, 2010 through December 31, 2010.

**A qualified employee:**

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.

The maximum savings is \$6,621.60 per employee based on the Social Security wage base:  $(\$106,800 \times 6.2\% = \$6,621.60)$ .

**Revised Form 941**

The IRS has revised Form 941, *Employer's Quarterly Federal Tax Return*, to reflect payroll tax forgiveness under the HIRE Act, beginning with the second calendar quarter of 2010, ending June 30, 2010. The second quarter Form 941 is due August 2, 2010.

On Line 6a of the revised Form 941, employers report the number of qualified employees first paid exempt wages/tips this quarter. On line 6b, employers report the total number of qualified employees paid exempt wages/tips to which they applied the Social Security exemption in this quarter. On line 6c, employers enter the amount of exempt wages/tips paid this quarter to all qualified employees reported on line 6b. Employers multiply the amount of exempt wages/tips reported on line 6c by .062 and enter the result on line 6d. (See Figure 1.)

The payroll tax exemption that is applicable to the first quarter of 2010 (March 19 through March 31, 2010) is not applied to the first quarter Form 941 but is instead taken as a credit in the second quarter.

Only for the second quarter 2010 Form 941, employers enter on line 12c, the number of qualified employees paid exempt wages/tips between March 19 and March 31, 2010. On line 12d, employers enter the amount of exempt wages/tips paid to qualified employees between March 19 and March 31, 2010. Employers multiply the amount of exempt wages/tips reported on line 12d by .062 and enter the result on line 12e. The credit claimed for these first quarter wages will be refunded or may be applied to a liability in a subsequent quarter. (See Figure 2.) **h**

For more information, please contact Tax Department Chairman Timothy W. Mulcahy, (631) 719-3325, [TMulcahy@hrrllp.com](mailto:TMulcahy@hrrllp.com).

6a	Number of qualified employees first paid exempt wages/tips this quarter	<input type="text"/>	See instructions for definitions of qualified employee and exempt wages/tips.
6b	Number of qualified employees paid exempt wages/tips this quarter	<input type="text"/>	
6c	Exempt wages/tips paid to qualified employees this quarter	<input type="text"/> x .062 =	

FIGURE 1

12c	Number of qualified employees paid exempt wages/tips March 19-31	<input type="text"/>	only for the 2nd quarter of 2010.
12d	Exempt wages/tips paid to qualified employees March 19-31	<input type="text"/> x .062 =	12e <input type="text"/>

FIGURE 2

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1430 Broadway  
New York, NY 10018  
212-697-6900

125 Baylis Road  
Melville, NY 11747  
631-752-7400

To change contact information, please contact [info@holtznews.com](mailto:info@holtznews.com)

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