

New HIRE Act Stimulus to Businesses

December 9, 2010

As the end of 2010 approaches and we receive numerous inquiries concerning developing hiring plans, I thought you might be especially interested to note some particulars about the Hiring Incentives to Restore Employment Act (the “HIRE Act”) which was enacted earlier this year to stimulate prompt hiring of workers by businesses.

Among the most notable provisions of the HIRE Act are the following:

- **Payroll Tax Holiday** – Employers receive an exemption from paying their portion of the OASDI Social Security payroll tax (6.2% of wages up to \$106,800) for every worker hired between February 4, 2010 and December 31, 2010 if that worker has been unemployed for at least 60 days. This payroll tax holiday applies to wages earned after the March 18, 2010 enactment of the HIRE Act, but does not apply to the Medicare portion of the Social Security payroll taxes and does not apply to the earnings of self-employed workers. Employers are required to obtain written affidavits from workers (on a form designed by the IRS) attesting to the fact that the worker has been unemployed for the requisite 60 days.
- **Retained Worker Tax Credit** – Employers may claim a new dollar-for-dollar tax credit against their business taxable income with respect to any worker hired between February 4, 2010 and December 31, 2010 who remains employed for 52 consecutive weeks. The amount of this new tax credit is equal to 6.2% of the worker’s wages, up to a maximum tax credit of \$1,000 per worker. To be eligible, the retained worker’s rate of pay for the second 26 week period must be at least 80% of the worker’s pay rate during the first 26 week period. Workers eligible for the payroll tax holiday above are also eligible for this retained worker tax credit.

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