

July 14, 2010

HIRE ACT CREATES TAX EXEMPTIONS AND CREDITS FOR HIRING EMPLOYERS

On March 18, President Obama signed the Hiring Incentives to Restore Employment (HIRE) Act of 2010, in an effort to spur job growth. Some of these provisions may be helpful for senior services organizations that are considering additional hiring and are interested in reducing the costs associated with the hire.

The major provisions of the bill are as follows:

Payroll Tax Exemption Will Reduce Employer's Tax Cost for New Employees

The HIRE Act provides an exemption for the 6.2% Social Security tax on the first \$106,800 of wages paid to a qualifying employee, with a total maximum exemption of \$6,621.60 per employee. A "qualified employee" under this act is a new employee who:

- is hired between February 3, 2010 and January 1, 2011;
- has been employed for less than 40 hours during the 60 days prior to employment;
- does not replace another employee unless the previous employee separated voluntarily or for cause; and
- is not related to the employer or to any individual that owns more than 50% of the employing company.

Employers are still liable for the 1.45% Medicare tax portion of wages paid. The employer may not claim exemptions for both the pre-existing Work Opportunities Tax Credit (WOTC) and the HIRE Act Credit. There are no exemptions for the qualifying employee's share of either the 6.2% Social Security tax or the 1.45% Medicare tax – these amounts must still be withheld and reported as usual. Employers that have already paid payroll taxes on a qualifying employee for the first quarter will receive a credit on their second quarter payroll tax return.

Retention Credits Encourage Employers to Keep New Employees 52 Weeks or More

Employers will receive a \$1,000 tax credit for each retained worker that is hired as a "qualified employee" for the purposes of the payroll tax exemption above, is employed for at least 52 weeks and is paid wages in the second 26-week period that are equal to at least



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80% of the total wages paid in the first 26-week period. Because of the 52-week requirement, this credit will become available on the 2011 tax return for calendar year taxpayers. The credits cannot be carried back to offset taxes paid in a previous year.

Small Business Expense Extension Designed to Help Maintain Business Readiness

Small businesses can continue to expense up to \$250,000 of qualifying property under Section 179 of the tax code. This amount is reduced, dollar for dollar, for cost expenditures on items placed in service in 2010 that exceed \$800,000.

For more information on hiring incentives contained in the HIRE Act, please contact Heather Gwinn or Brad Hendrick at 303-443-8010.

The bill includes several tax exemptions as well as tax credits for employers that hire and retain certain qualified

This includes, but is not limited to, some storage facilities, machinery, equipment, furniture and fixtures, and single cultural or horticultural structures.