

Hiring a New Employee? Don't Forget to Take Advantage of the Tax Break And Credit!

Thinking of hiring a new employee or replacing an employee that just left? You may be eligible for some payroll tax relief for hiring new employees and a tax credit for retaining the new hires. The House of Representatives and the Senate have just passed a bill (HR 2847) that may allow you some relief. The bill has been in the works for several month, amended several times and just signed into law by the President.

Below is a summary of some highlights of the bill and how it may benefit you. Please keep in mind, that this is preliminary and is based on information we have been able to gather about the bill. Once the IRS posts the details regarding the forms that have to be filed along with the filing instructions we will be able to provide you with further details.

It contains a suspension of the Social Security payroll tax for employers that hire new workers that had been unemployed for the previous 60 days, a \$1,000 tax credit for retaining employees for a full year, increased expensing of new equipment purchased by small businesses in 2010, and expanded tax credit bonds sold by local government and private entities and subsidized by the government.

Below are the major requirements that must be met to qualify for a suspension of the employer's portion of the Social Security payroll tax (6.2% of wages paid).

- You must be a qualified employer. Qualified employers are defined as all private companies, non profits and post-secondary schools. Public sector employers do not qualify with the exception of post-secondary schools.
- The employee must sign an affidavit that they have not been employed for more than 40 hours in the previous 60 days,
- The employer must ensure that the employee isn't employed to replace another worker unless they left voluntarily or were fired for cause.

In addition, the bill would also provide an additional tax credit, on the employer's 2011 tax return. The tax credit is the lesser of \$1,000 or 6.2 percent of the wages paid, to the qualified employee, over the 52 week period. To qualify, the employer would have to:

- Retain an employee hired under this provision for 52 weeks,
- Pay out wages in the second half of the 52 week period that are at least or more than 80% of the wages paid in the first half of the 52 week period.
- The House added an amendment that applies the retention credit to U.S. possessions, such as Guam and Puerto Rico.

Please note that the bill does not provide for a similar deduction or credit for the employee. All Social Security taxes must still be deducted from the employees gross pay and deposited by the employer on behalf of the employee.

As we receive more information about the details and the process we will pass them along.