

April 2010

Tax Intelligence

The Hiring Incentive to Restore Employment (HIRE) Act

Situation

The Hiring Incentives to Restore Employment (HIRE) Act has been signed into law by President Obama. This program is designed to provide certain employers with tax incentives to stimulate the economy and provide the unemployed workforce with employment opportunities. The incentive is structured to encourage employers to hire employees early in the year for greater tax savings. Here are the details:

Payroll Tax Exemption

- Eliminates the 6.2% employer portion of Social Security tax for eligible new hires.
- Exemption would apply to covered wages up to the \$106,800 Social Security limit.
- The maximum benefit per qualified employee is \$6,621.

Retention Tax Credit

- Provides up to a \$1,000 federal income tax credit for eligible new hires.
- Qualified employee must be employed no less than 52 consecutive weeks.
- Employee wage stipulations apply to qualify for the maximum credit amount.

Qualified Employee

- Commences employment after 2/3/10 and before 1/1/11 and was employed less than 40 hours in the last 60 days.
- The employee is not replacing current workers unless those workers have left voluntarily or were terminated for cause. A qualified employee cannot be the employer's relative.

Solution

Employers need to be prepared to screen, track and report as required by the program. Since the effective date is February 3, employers will need to identify new hires that may be eligible but were not screened in advance of enactment of the legislation. Employers should be prepared to address the following:

Screening and Evaluation

- Screen all new employees for HIRE incentives
- Create target list of employees hired after 2/3/2010 and before live screening date
- Retroactively screen for eligibility to maximize exemptions
- Track employee wages, hours worked and weeks employed
- Evaluate the payroll tax exemption and WOTC opportunity
- Verify applicant eligibility through an employee affidavit process

Compliance and Education

- Contact hiring locations to explain the program and establish procedures
- Monitor program compliance to ensure all forms and documents are returned timely
- Follow up with each hiring location on missing documentation
- Monthly compliance review to evaluate participation rates

Saving and Documentation

- Calculate the tax exemption to be applied to Federal Form 941
- Prepare quarterly savings report on tax exemptions secured
- Report eligible credit opportunity by employee for HIRE versus WOTC incentives
- Calculate the federal income tax retention credit
- Scan and index all documents for audit purposes

Value

TALX is very familiar with The HIRE Act credit and can provide employers assistance in understanding the benefits. In addition, TALX can review current process and offer guidance to ensure all credits are captured. If you would like more information regarding the immediate benefit of these programs, please contact Pete Krieshok at pete.krieshok@talx.com.