Hiring Incentives to Restore Employment (HIRE) Act

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Legislation signed into law by the President on March 18, 2010 includes the Hiring Incentives to Restore Employment (HIRE) Act. Provisions contained in the Act include:

Payroll tax exemption for hiring unemployed workers

For wages paid after March 18, 2010 and before January 1, 2011, qualified employers (generally, any employer other than the federal, state, or local governments) are exempt from the Social Security (Old Age, Survivors and Disability Insurance, or "OASDI") portion of the FICA employment tax with respect to qualified individuals. Qualified employers can elect to forego this payroll tax suspension.

A qualified individual is an individual who:

1. Begins employment after February 3, 2010, and before January 1, 2011.
2. Certifies that he or she has not been employed for more than 40 hours during the 60-day period ending on his or her date of hire.
3. Is not hired to replace another employee, unless the other employee separated voluntarily, or was terminated for cause.
4. Is not related to the employer.

A special rule applies to wages paid prior to April 1, 2010 that would otherwise qualify for the payroll tax exemption. Such wages are subject to regular employment tax rules (employers must pay the regular amount of Social Security tax). However, the amount by which an employer's payroll tax would have been reduced under this provision will be treated as a payment against tax in the second quarter of 2010.

Tax credit for retaining new hires

For tax years ending after March 18, 2010, a business tax credit will be allowed for each qualified "retained worker." A retained worker is a qualified individual (i.e., an individual hired after February 3, 2010, and before January 1, 2011, and who otherwise meets the requirements for the payroll tax provision described above) who:

1. Was employed on any date during the year,
2. Was employed for a period of not less than 52 consecutive weeks, and
3. Has wages during the last 26 weeks of the 52-week period that equal at least 80 percent of his or her wages during the first 26 weeks of the 52-week period.

The credit is allowed for each employee in the taxable year in which the second requirement above (i.e., that the individual be employed for a period of no less than 52 consecutive weeks) is first satisfied.

The amount of the credit for each retained worker equals the lesser of:

1. $1,000, or

2. 6.2 percent of wages paid to the retained worker during the 52 consecutive weeks of employment

IRC Section 179 expensing

The 2009 limits relating to I.R.C. Section 179 expensing are extended for one year, to taxable years beginning in 2010. As in 2009, the maximum amount that a taxpayer may expense is $250,000 of the cost of qualifying property placed in service for the taxable year. This amount is reduced by the amount by which the cost of qualifying property placed in service during the taxable year exceeds $800,000.

If you have any questions, please contact a member of our tax department at (216) 573-2330.