

# Special Payroll Tax Exemption Form Now Available

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WASHINGTON — The Internal Revenue Service today released a new form that will help employers claim the special payroll tax exemption that applies to many newly-hired workers during 2010, created by the Hiring Incentives to Restore Employment (HIRE) Act signed by President Obama on March 18.

New [Form W-11](#), Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit, is now posted on IRS.gov, along with answers to [frequently-asked questions](#) about the payroll tax exemption and the related new hire retention credit. The new law requires that employers get a statement from each eligible new hire, certifying under penalties of perjury, that he or she was unemployed during the 60 days before beginning work or, alternatively, worked fewer than a total of 40 hours for anyone during the 60-day period. Employers can use Form W-11 to meet this requirement.

Most eligible employers then use Form 941, Employer's Quarterly Federal Tax Return, to claim the payroll tax exemption for eligible new hires. This form, revised for use beginning with the second calendar quarter of 2010, is currently posted as a [draft form](#) on IRS.gov and will be released next month as a final along with the form's instructions.

Though employers need this certification to claim both the payroll tax exemption and the new hire retention credit, they do not file these statements with the IRS. Instead, they must retain them along with other payroll and income tax records.

The HIRE Act created two new tax benefits designed to encourage employers to hire and retain new workers. As a result, employers who hire unemployed workers this year (after Feb. 3, 2010, and before Jan. 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from the employer's share of social security tax on wages paid to these workers after March 18. This reduction will have no effect on the employee's future Social Security benefits, and employers would still need to withhold the employee's 6.2-percent share of Social Security taxes, as well as income taxes. In addition, for each unemployed worker retained for at least a year, businesses may claim a new hire retention credit of up to \$1,000 per worker when they file their 2011 income tax returns.

These two tax benefits are especially helpful to employers who are adding positions to their payrolls. New hires filling existing positions also qualify but only if the workers they are replacing left voluntarily or for cause. Family members and other relatives do not qualify for either of these tax incentives.

Businesses, agricultural employers, tax-exempt organizations, tribal governments and public colleges and universities all qualify to claim the payroll tax exemption for eligible newly-hired employees. Household employers and federal, state and local

government employers, other than public colleges and universities, are not eligible.  
IRS.gov has more details.