



What You Need to Know About the HIRE Act

On March 18th, President Obama signed into law H.R. 2847, the Hiring Incentives to Restore Employment (HIRE) Act after it had been passed the previous day in the Senate by a vote of 68 to 29. Hoping to spur job creation at a time when the unemployment rate stubbornly remains at 9.7 percent the HIRE Act, among other things, provides employers with various tax breaks for hiring and retaining previously unemployed workers.

The Act will exempt employers from paying 2010 social security taxes on wages up to \$106,800 (which at 6.2 percent could save companies a maximum of \$6,621) on each new employee who has been out of work for at least 60 days. In addition, employers who retain these new employees for at least 52 weeks can claim an additional credit of the lesser of \$1,000 or 6.2 percent of the wages paid to the employee in 2010.

Hiring and Retaining new employees are the two (2) key provisions of the HIRE Act designed to encourage companies to hire unemployed workers in 2010.

Credit for Hiring Qualified New Employees

The HIRE Act provides qualified employers with a payroll tax holiday from the employer-portion of Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) taxes for qualified individuals based on the following conditions:

1. The underlying wages must be paid in the last three quarters of 2010.
2. These wages must be paid with respect to services performed in a trade or business of a qualified employer or paid in furtherance of the activities constituting the basis of the employer's exemption under section 501.
3. The amount that would have been relieved if the holiday had been in place during the first quarter of 2010 will be treated as an OASDI tax payment made by the employer during the second quarter of 2010.
4. The payroll tax holiday is also available for railroad retirement tax purposes.

Credit for Retaining Qualified New Employees

The HIRE Act provides employers with a tax credit for wages paid to retained workers (for tax years ending after the date of passage) who are qualified individuals that:

1. are employed by the employer on any date during the tax year;
2. continue to be employed by the employer for a period of not less than 52-consecutive weeks; and,

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3. receive wages for such employment during the last 26 weeks of the period that are equal to at least 80 percent of the wages received during the first 26 weeks of the period.

The HIRE Act permits employers who retain these new employees for at least 52 weeks to claim an additional credit of the lesser of \$1,000 or 6.2 percent of the wages paid to the employee in 2010.

Determination of Who Qualifies

Qualified employees are defined as individuals who:

1. begin work for a qualified employer after Feb. 3, 2010 and before Jan. 1, 2011;
2. certify by signed affidavit (under penalties of perjury) that they were employed for a total of 40 hours or less during the 60-day period ending on the date the employment begins;
3. were not employed to replace another employee of the employer unless that former employee separated from employment voluntarily or for cause; and,
4. are not related to the employer.

A qualified employer is any employer other than a federal, state or local employer (or government instrumentality). Public higher education institutions, however, do qualify as qualified employers.

The Payroll Team at PROXUS is in the process of creating a tool within the PayChoice payroll system to assist our clients with the identification of qualified employees, credit amounts and the required reporting. Simultaneously, PROXUS' HR Division is already providing recruitment/staffing support to clients, many of whom will benefit from the provisions of the HIRE Act.

To learn more about the impact of the HIRE Act, or to discuss how PROXUS can support your recruitment and staffing needs and help you reap the benefits of the Act, please contact Jeff Green, PROXUS Principal, at 215-654-9140 ext. 102 or jgreen@proxushr.com.

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