



The Hiring Incentives to Restore Employment (HIRE) Act was enacted March 18, 2010 with two new tax benefits for employers who hire previously unemployed workers, referred to as “qualified employees”. The first benefit, called the “payroll tax exemption”, allows employers exemption from their 6.2% share of social security on the wages paid to “qualified employees” from March 19, 2010 through December 31, 2010. The second benefit is for each “qualified employee” retained for at least 52 consecutive weeks. Employers will be eligible for a general business tax credit, or “ New hire retention credit”, 6.2% of wages paid to that employee over that 52 week period, for up to a maximum credit of \$1,000. Full details of the HIRE Act can be found at the official IRS Web site: www.IRS.gov. Meanwhile, if you are interested in taking advantage of the HIRE Act, there are several ways you can use your payroll software to help you manage the process.



Tracking Eligible Employees:

Use a custom tracking field within your payroll software to track eligible employees. Name the field “Eligible for HIRE?” Save the custom field, and then within the employee setup area, highlight the employee and click EDIT. Click on the Custom Fields tab. Enter ‘Yes’ in the ‘Eligible for HIRE?’ field. Click Save. Note: if the employee has not yet been set up, this step can be done at the same time the employee is added.

Payroll Processing:

You don’t need to do anything special when processing your payroll; simply process your payroll as usual. Both the employee and employer share of the Social Security tax will be calculated and should be paid. If and when you meet the HIRE Act requirements, you will receive a refund for an overpayment when you file your 941/943.

Reporting the Social Security Tax for Eligible Employees:

To see the qualifying wages and the Social Security tax withheld by employee, simply run a tax report, filtering only those employees who are HIRE eligible, pulling this information from the custom field you had set up. This information will need to be reported on your quarterly Form 941.

Quarterly Reporting:

New Form W-11, Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit, is available in most payroll software program updates, and would be found along with the other federal tax forms. The HIRE act requires that employers get form W-11 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 less than a total of 40 hours for anyone during the 60-day period. Though employers need this certification to claim both the payroll tax exemption on the 941 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. Most eligible employers will use Form 941, Employer's Quarterly Federal Tax Return, to claim the payroll tax exemption for eligible new hires. The IRS is currently in the process of revising the 941 for 2nd Quarter 2010 reporting. Another revision is expected for 3rd Quarter 2010. The new 941 report should be available in your payroll tax form updates from your payroll software provider.