



April 23, 2010

**RE: Hiring Incentives to Restore Employment Act of 2010**

Dear Client:

Recently, Congress passed and the President signed the Hiring Incentives to Restore Employment Act of 2010 (2010 HIRE Act). The 2010 HIRE Act has several business-friendly tax provisions that may benefit you.

**Incentives for Hiring and Retaining Unemployed Workers**

To encourage employers to hire new employees in 2010, the Act combines Social Security tax forgiveness for newly added employees and a tax credit for retaining those employees for at least 52 consecutive weeks.

***Payroll Tax Forgiveness***

The 2010 Hire Act effectively exempts a qualified employer from paying the 6.2% OASDI Social Security tax for wages **paid** after March 18, 2010 (the date of enactment) through December 31, 2010, for new employees if certain conditions are met. To qualify for the exemption, each employee must be a "qualified individual." A qualified individual is an employee: (1) who begins work for a qualified employer after February 3, 2010, and before January 1, 2011; (2) who certifies that they have not been employed for more than 40 hours during the 60-day period ending on the date employment begins (The IRS has issued Form W-11 to be used for this purpose. This form can be found on our web site [www.checkmate-payroll.com](http://www.checkmate-payroll.com) in the forms section, at IRS.gov or ask your payroll specialist); (3) is not employed to replace another employee of the employer unless the other employee separated from employment voluntarily or for cause; and (4) cannot be related to the employer or own more than 50% of the business. Generally, a "qualified employer" is any business, other than a governmental entity.

The reduction in taxes due for wages paid in the first calendar quarter of 2010 is treated as a payment against the second 2010 calendar quarter taxes otherwise due.

***Business Credit Increase for Retention of Newly Hired Individuals in 2010***

The 2010 HIRE Act allows taxpayers to increase their business credit by the lesser of \$1,000 or 6.2% of wages for a 52-week period for each retained worker that satisfies a minimum employment period. A retained worker is defined the same as a "qualified individual" for purposes of the payroll tax forgiveness provision, which is discussed above. In addition, the worker must be employed by the employer for at least 52 consecutive weeks, and receive wages for the last 26 weeks of the 52-week period that are at least 80% of the wages paid during the first 26 weeks. This increase to the business credit is effective for new hires beginning on March 18, 2010, and cannot be carried back to a taxable year that began prior to this effective date. Note that employers can claim both the work opportunity tax credit and the retention credit on the same qualified employee.

Please let us know if you have any questions regarding this.

Checkmate Payroll Services, Inc.