



Client Alert

MACDONALD, ILLIG, JONES AND BRITTON LLP

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What Employers Need to Know About the Hiring Incentives to Restore Employment (HIRE) Act

On March 18, 2010, President Obama signed into law the Hiring Incentives to Restore Employment ("HIRE") Act. The HIRE Act contains many provisions that impact employers, including tax incentives for businesses that hire unemployed workers and extended deduction limits for small businesses that make capital improvements.

Under the HIRE Act, employers who hire a new employee between February 4, 2010 and December 31, 2010 receive a 6.2% payroll tax incentive. The 6.2% payroll tax incentive exempts employers from their share of Social Security taxes otherwise payable with respect to qualifying employees from the date of enactment through the end of 2010. To receive this incentive, the employer must obtain a statement from each newly hired employee certifying that he or she was not employed for more than 40 hours during the 60-day period prior to being hired. Employees hired during the applicable time period qualify for the tax exemption as long as the new hire is replacing an employee who voluntarily resigned or was separated from employment for cause. Family members and other relatives do not qualify for the payroll tax incentive program. The reduced tax withholding will have no impact on the employee's future Social Security benefits and employers must still withhold the employee's share of Social Security taxes as well as income taxes.

The HIRE Act also provides a number of other key benefits, including:

- Up to a \$1000 general business tax credit for retaining newly hired employees for over a year;
- Extending through 2010 the ability to expense \$250,000 of depreciable business assets; and
- Expanding eligibility for Build America Bonds to cover other qualified tax credit bonds.

For more information or to discuss how your business can benefit from the HIRE Act, please contact the author of this article, any member of the MacDonald Illig Labor & Employment Group, or the MacDonald Illig attorney with whom you've worked.

For more information:

[→](#) Marissa A. Savastana
(814) 870-7613

msavastana@mijb.com

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100 STATE STREET, SUITE 700
ERIE, PA 16507-1459

PHONE: (814) 870-7600
FAX: (814) 454-4647

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