

**Hiring Incentives to Restore Employment (HIRE) Act (H.R. 2847) Enacted March 2010****KEY POINTS AFFECTING SMALL BUSINESS**

- Gets Americans back to work through a multi-pronged effort to create jobs and strengthen our economy.
- A payroll tax holiday for businesses that hire unemployed workers, to create some 300,000 jobs and an income tax credit of \$1,000 for businesses that retain these employees.
- Tax cuts to spur new investment by small businesses to help them expand and hire more workers.

**New Tax Incentives for Businesses to Hire Unemployed Workers**

**Tax incentives for businesses to spur immediate job growth.** A new payroll tax exemption would create a common-sense, targeted, and effective way to encourage employers to begin hiring unemployed workers today and is estimated to spur about 300,000 new jobs, according to economist Mark Zandi of Moody's Economy.com.

**Payroll Tax Exemption.** Provides businesses with an exemption from Social Security payroll taxes for every worker hired in 2010 who has been unemployed for at least 60 days. (The maximum value of this incentive is \$6,621, which equals to 6.2 percent of wages paid in 2010 up to the FICA wage cap of \$106,800.) The longer that a business has a new qualified worker on its payroll, the greater the tax benefit.

**Bonus for Keeping Employees Long Term.** Provides an additional \$1,000 income tax credit for every new employee retained for 52 weeks.

**Spur Small Business Investments to Grow**

**Small Business Expensing.** Extends Recovery Act provisions that double the amount small businesses can immediately write off their taxes for capital investments and purchases of new equipment made in 2010 from \$125,000 to \$250,000. This will help small business make the investments they need to grow and hire more workers.

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 their share of Social Security taxes on wages paid to these workers after March 18, 2010. This reduced tax withholding 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. The employer and employee's shares of Medicare taxes would also still apply to these wages. In addition, for each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 income tax returns.

The 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. In addition, the new law requires that the employer get a statement from each eligible new hire certifying that he or she was unemployed during the 60 days before beginning work or, alternatively, worked fewer than a total of 40 hours for someone else during the 60-day period. The IRS is currently developing a form employees can use to make the required statement.

Businesses, agricultural employers, tax-exempt organizations and public colleges and universities all qualify to claim the payroll tax benefit for eligible newly-hired employees. Household employers cannot claim this new tax benefit.

Employers claim the payroll tax benefit on the federal employment tax return they file, usually quarterly, with the IRS. Eligible employers will be able to claim the new tax incentive on their revised employment tax form for the second quarter of 2010.

More information can be found: <http://www.irs.gov/businesses/small/article/0,,id=220745,00.html>