



Hiring Incentives to Restore Employment (HIRE) Act
New Hire and Retention Credits
As of April 30, 2010

The Hiring Incentives to Restore Employment (HIRE) Act signed by President Obama on March 18 created two new tax benefits designed to encourage employers to hire and retain new 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 on wages paid to these workers after March 18th. Businesses may also claim a new hire retention credit of up to \$1,000 per qualifying employee.

The new law requires that employers get a statement from each eligible new hire that he or she was unemployed during the 60 days before beginning work or, alternatively, worked fewer than a total of 40 hours for anyone during the 60-day period. Employers can have the employee sign the newly created Form W-11(attached) to meet this requirement.

The 6.2% incentive effectively exempts the employer from the employer's share of FICA tax on the qualifying employees through December 31, 2010. The employer is still responsible for withholding and submitting the employee's portion of the FICA tax.

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 for either of these tax incentives.

Form 941, Employer's Quarterly Federal Tax Return, will be used to claim the payroll tax exemption for eligible new hires. The revised form will be available for use beginning with the second calendar quarter of 2010. Qualifying wages paid during the first quarter after March 18th to those qualifying workers will also be reported on the second quarter 941 in order to receive the credit for March.

The second incentive, a new hire retention credit, is available up to an amount of \$1,000 per each unemployed worker retained for at least one year. The credit is equal to the lesser of \$1,000 or 6.2% of the total wages paid to the employee during the 52 consecutive week period of employment. This credit can be claimed on the employer's 2011 tax return.

This information has been provided as a general overview of the new tax law and does not address every detail in the HIRE Act. Please feel free to contact us if you have any questions regarding this new law or have already hired or are considering hiring employees so we can assist in meeting and documenting the requirements necessary to receive these credits.



Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit

▶ Do not send this form to the IRS. Keep this form for your records.

To be completed by new employee. Affidavit is not valid unless employee signs it.

I certify that I have been unemployed or have not worked for anyone for more than 40 hours during the 60-day period ending on the date I began employment with this employer.

Your name _____ Social security number ▶ _____

First date of employment ____ / ____ / ____ Name of employer _____

Under penalties of perjury, I declare that I have examined this affidavit and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature ▶ _____ Date ▶ ____ / ____ / ____

Instructions to the Employer

Section references are to the Internal Revenue Code.

Purpose of Form

Use Form W-11 to confirm that an employee is a qualified employee under the HIRE Act. You can use another similar statement if it contains the information above and the employee signs it under penalties of perjury.

Only employees who meet all the requirements of a qualified employee may complete this affidavit or similar statement. You cannot claim the HIRE Act benefits, including the payroll tax exemption or the new hire retention credit, unless the employee completes and signs this affidavit or similar statement under penalties of perjury and is otherwise a qualified employee.

A "qualified employee" is an employee who:

- begins employment with you after February 3, 2010, and before January 1, 2011;
- certifies by signed affidavit, or similar statement under penalties of perjury, that he or she has not been employed for more than 40 hours during the 60-day period ending on the date the employee begins employment with you;
- is not employed by you to replace another employee unless the other employee separated from employment voluntarily or for cause (including downsizing); and
- is not related to you. An employee is related to you if he or she is your child or a descendent of your child,

your sibling or stepsibling, your parent or an ancestor of your parent, your stepparent, your niece or nephew, your aunt or uncle, or your in-law. An employee also is related to you if he or she is related to anyone who owns more than 50% of your outstanding stock or capital and profits interest or is your dependent or a dependent of anyone who owns more than 50% of your outstanding stock or capital and profits interest.

If you are an estate or trust, see section 51(i)(1) and section 152(d)(2) for more details.



Do not send this form to the IRS. Keep it with your other payroll and income tax records.