



Business Incentives in the 2010 HIRE Act

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 for any 2010 period beginning 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 has not been employed for more than 40 hours during the 60-day period ending on the date employment begins; (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.

Category	2010	2011	2012
Wages	\$100,000	\$100,000	\$100,000
Employer's Social Security Tax	\$6,200	\$6,200	\$6,200
Employer's Medicare Tax	\$1,500	\$1,500	\$1,500
Total	\$7,700	\$7,700	\$7,700

A qualified employer may elect not to apply the payroll tax forgiveness. Note that a qualified employer may not claim the work opportunity tax credit on any wages paid to a qualified individual during the 1-year period beginning on the hiring date of the employee if those wages qualify the employer for payroll tax forgiveness, unless the employer opts out of payroll tax forgiveness as to that employee.

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.

Election to Expense Depreciable Business Assets

The Act extends the higher \$250,000 limit for small business expensing for another year. The \$250,000 amount applies to the cost of depreciable tangible personal property purchased for use in the active conduct of a trade or business (including off-the-shelf computer software placed in service before 2011) for taxable years beginning in 2010. The maximum amount that the taxpayer may deduct is increased from \$125,000 to \$250,000. This \$250,000 amount is reduced, however, by the amount by which the cost of the qualifying property placed in service during 2010 exceeds \$800,000. Note that the deduction amount continues to be limited to the taxpayer's taxable income derived from the active conduct of the trade or business. Any amount that exceeds the taxable income limitation may be carried forward to succeeding taxable years.

Corporate Estimated Taxes

To help pay for the legislation, the Act increases the required corporate estimated tax payment for large corporations (those with assets exceeding \$1 billion) due in July, August or September 2014 to 157.75% of the estimated tax payment otherwise due. Payments due in July, August or September 2015 must be 121.5% of the payment otherwise required. Payments due in July, August or September 2019 must be 106.5% of the payment otherwise required. For the 2015 and 2019 payments, a corporation's next required installment is correspondingly decreased.



Feel free to call me with any questions or to discuss how these tax law changes affect your particular circumstances.

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