



****Important Legislative Update This Affects All Employers****

Hiring Incentives to Restore Employment (HIRE) Act

On March 18, President Obama signed the **Hiring Incentives to Restore Employment (HIRE) Act** to help stimulate the hiring of workers by the private sector. Employers who hire specifically defined unemployed workers will be exempt from paying the employer share of OASDI (Social Security) taxes, a 6.2% tax credit, for those newly hired workers for any payrolls dated from March 19, 2010 to the end of 2010. Additionally, employers may be eligible for a general business tax credit, up to \$1,000 per worker if they are retained for at least 52 weeks when filing their 2011 income tax returns.

What are the Qualifications That New Hires Must Meet?

- The new employee must have been previously unemployed for over 60 days, or working part time
- The new employee must sign an affidavit, under penalties of perjury certifying that he or she was unemployed during the 60 days before beginning work, or, worked less than a total of 40 hours for someone else during the 60 day period. The IRS has created form W-11 for this purpose. The W-11 is available under the forms section of the PayTime website. This form should be kept on file at your location.
- There is no minimum weekly number of hours that the new employee must work for the employer to be eligible
- Tax credit cannot be claimed on the hiring of family members
- A worker who replaces another employee who performed the same job for the employer is not eligible for the benefit unless the prior employee left the job voluntarily or was terminated for cause

How Does It Work?

1. Once you have determined that a newly hired employee qualifies for the tax credit, PayTime must be notified by sending in an Employee Information Sheet with the HIRE credit box checked, **PRIOR** to the employee's first payroll processing in order to correctly exempt the employer portion of the tax.
2. If you are a remote user and do your payroll online, you may enter the new employee as usual, but, you **must** notify PayTime by sending in an Employee Information Sheet with the appropriate box checked.
3. When newly hired employees are paid, OASDI taxes will be withheld from the employee's paycheck as usual, however, the employers will no longer match the 6.2% tax. Starting January 1, 2011, employers will then be required to resume matching the OASDI employer tax.
4. The Employer OASDI tax exemptions for employees hired March 19th through March 31st will be treated as a tax credit and applied by PayTime in May, as one lump sum. However, you **must** notify PayTime if any of the new hires from March 19th through March 31st qualify for the tax credit by sending in an Employee Information Sheet with the appropriate box checked.
5. For more information regarding the HIRE Act, you can visit the IRS website at www.irs.gov. PayTime will continue to monitor this new legislation and will keep you informed as needed. If you have any questions feel free to give us a call, 804-355-6674.