



Subject: New FICA Exemptions – Some Q & A

The purpose of this PayDay is to take the “mystery” out of the HIRE ACT FICA employer tax exemptions, and make it easy to understand and use – so employers can capture the payroll tax savings. Call us at 885-7600 if you have any questions about the tax exemption – As a “team” we can make sure you save the correct amount of taxes!

Rehires, Graduates and Part-Timers

- 1) **Can an employer claim the tax exemption if they rehire a former employee?** “Yes, if the new hire has not worked more than 40 hours during the 60 consecutive days before their rehire date with you”.
- 2) **If I hire a recent graduate from high school or college, can I claim the HIRE payroll tax exemption?** “Yes, if the person meets the 40 hour and 60 consecutive day tests. It is not necessary that your new hire was terminated from previous employment to qualify for the payroll tax and income tax savings”.
- 3) **If I hire a part-time employee, does that count?** “Again, yes, contingent on the 40 hour and 60 day employment tests. The # of hours worked is not a factor in qualifying for the tax savings”.

So What New Hires Do Not Qualify?

- 1) New hires who have worked more than 40 hours during the preceding 60 consecutive days do not qualify for either the immediate payroll tax exemption or the 52 week retention income tax credit;
- 2) New hires, who are relatives of the employer -- children, parents, siblings etc – do not qualify; and
- 3) Household employers and most government employers cannot claim the tax incentives.

How Does AccuPay Know to Save Us the Taxes?

Tell us which of your new hires qualify for the HIRE Act tax savings – ideally before their first paycheck! Provide AccuPay with the following information:

- 1) IRS Form W-11, signed by your new employee; or
- 2) The Hire Act Employee Affidavit which AccuPay designed before the IRS developed Form W-11.

Both of these forms can be found on AccuPay's website by linking on "Forms & Downloads". Our own "Hire Act Employee Affidavit" is actually more complete than the IRS Form W-11, but either will suffice.

Make sure we know which of your new hires qualify for the tax savings. We will "code" those employees for both FICA tax exemptions and possible year 2011 Federal income tax credits.

When Does The Tax Savings Start!

The FICA tax exemptions for qualified employees will reduce your Form 941 tax deposits **immediately**. MAKE SURE WE KNOW WHICH EMPLOYEES QUALIFY ASAP!

What about Wages Paid to Qualified Employees March 19 – March 31, 2010?

Make a list of qualified employees whom you first paid after March 18th and before April 1, 2010. We will calculate the FICA tax exemption for that time frame and claim a tax credit on your second quarter, 2010 IRS Form 941.

What about the "WOTC" Tax Credits?

- 1) An employer cannot claim both the FICA tax exemption and a "work opportunity tax credit" for the same employee (although it appears an employee can claim both the "WOTC" and the 52 week retention income tax credit for the same employee) ; and
- 2) **AccuPay just saved nearly \$20,000 in federal income tax credits for 2009 for a client in the food services industry. Those of you who employ lower income people and who are for-profit business taxpayers need to talk to us about possible "WOTC" income tax credits. Wal-Mart claims them, Home Depot and McDonalds claims the credits – what about you?**

Payroll processing is becoming increasingly complex due to the myriad of tax laws associated with hiring, compensation and benefits. AccuPay's "CPP/CPA service teams" will work very hard to capture all the tax benefits to which you are entitled!

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.