



Subject: Pay Spouse – Save Taxes!

HIRE Act tax savings which apply to new employees who have not worked more than 40 hours during the 60 days preceding a new employee's hire date APPLIES TO OWNERS' SPOUSES (but not to children, parents, siblings, etc.). As such, a business owner who newly hires their spouse can claim the FICA tax exemption and the retention income tax credit as long as the spouse has not worked (for money!) more than 40 hours during the last 60 days before "going on the payroll".

Keep in mind that a "spouse on the payroll" will pay the employee FICA tax with the exemption from FICA tax only applying to the "employer match". If the spouse is "on the payroll" for 52 weeks, the employer will earn a retention income tax credit in 2011 which will essentially pay for the spouse's FICA tax withholding.

The primary 2 reasons for a business owner to employ their spouse remain as follows:

- If a business owner wishes to fund additional amounts into their 401(k) or SIMPLE-IRA accounts, a spouse on the payroll can contribute virtually their entire salary pre-tax to 401(k) or SIMPLE-IRA accounts, up to the maximum annual contribution limits each year, and
- Travel expenses of a spouse on business (conferences, buying trips, etc.) can only be deducted if the expenses are legitimate business expenses AND the spouse is an employee of the family business.

An "oddity" of the HIRE Act tax incentive for certain "new hires" is that a spouse of the business owner qualifies for the tax savings, even though most other relatives do not. For business owners who have considered hiring their spouse in order to contribute more into "qualified" retirement plans, or to deduct business travel expenses, now is an opportune time to do so!

Make sure you supply AccuPay with [employee affidavits](#) for every employee who qualifies for the HIRE Act payroll and income tax savings incentives!

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