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## **Subject: Payroll Tax Holiday**

As most employers know, President Obama signed a new jobs stimulus bill on March 18, 2010 which provides tax saving incentives to employers who hire people who have not worked more than 40 total hours during the last 2 months preceding their new job. **Here is a brief synopsis of the HIRE ACT:**

### **Employers Who Qualify**

All employers (for profit and non-profit) qualify for the exemption from the social security (FICA) tax “match”, except household employers and most agencies of the federal, state and local government.

### **New Hires Who Qualify**

People hired after February 3, 2010, who have not worked more than 40 hours in the preceding 60 days, “qualify” for both the employer FICA tax “match” exemption and a \$1,000 per worker income tax credit if retained in your employment for 52 weeks.

The FICA tax exemption begins for wages paid after March 18, 2010, and the federal income tax credits will be claimed on employers’ 2011 federal income tax returns.

### **Required Affidavit By Qualified Employees**

Your new hires must provide you with a **signed affidavit** affirming that they qualify for the FICA tax exemption and the income tax credit (assuming they are retained for one year). We have created an affidavit which we believe meets the requirements of the HIRE ACT. **You can download this affidavit for your use as follows:**

Go to [www.accupay.com](http://www.accupay.com)

Click on Forms & Downloads

Click on “HIRE ACT Employee Affidavit” at the bottom of the list of “AccuPay Forms”

### **SO WHAT SHOULD EMPLOYERS DO TO SAVE TAXES?**

- Review your personnel records for employees who you hired after February 3, 2010;

- Have all those employees complete the affidavit, or determine they do not meet the requirements; and
- Make sure AccuPay is aware of your qualified employees (copies of the affidavits would be perfect!)

AccuPay will claim your FICA tax exemption as a credit on your Form 941 payroll tax form. The exemption credit for late March, 2010 wages cannot be claimed until the second quarter 2010 Form 941. We are awaiting IRS clarification as to a likely reduction of each 941 payroll tax deposit, starting April, 2010.

**Please call an AccuPay CPP/CPA services team at 885-7600 with your questions about the new HIRE ACT provisions. Also feel free to share our downloadable affidavit with your colleagues!**

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.