

IRS Issues Affidavit Form for HIRE Act Benefits

April 15, 2010

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Earlier this month, two new tax benefits became available to employers hiring workers who were previously unemployed or only working part time. These provisions are part of the Hiring Incentives to Restore Employment Act (the "HIRE Act") enacted into law on March 18.

Employers who hire unemployed workers after February 3, 2010 but before January 1, 2011 can qualify for a 6.2-percent payroll tax incentive - the equivalent of an exemption from the employer's share of Social Security taxes on wages paid to these workers in 2010. In addition, for each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 income tax returns.

To qualify for the credits, the employer must receive a statement from each eligible new hire certifying that he or she was unemployed during the 60 days before beginning work, or alternatively, worked less than a total of 40 hours for someone else during the 60-day period. The IRS has issued Form W-11 for this purpose. It is found at <http://www.irs.gov/pub/irs-pdf/fw11.pdf>.

According to the IRS' press release, "Though employers need this certification to claim both the payroll tax exemption and the new hire retention credit, they do not file these statements with the IRS. Instead, they must retain them along with other payroll and income tax records."

Eligible workers for the tax credits described above include all hires for new non-domestic worker positions. New hires filling existing positions also qualify but only if the workers they are replacing left the employer voluntarily or were terminated for cause. Family members and other relatives of the employer do not qualify for either tax incentive.