



## Virginia Business Lawyers

### HIRE Act — The New Hiring Incentives

**By: David Carroll. *This was posted Monday, April 12th, 2010***

*This article by John Vandenhoff, a tax expert at Sands Anderson, provides the incentives for businesses hiring new employees. We'll have more on this important new law in some of our follow-on posts. David*

John Vandenhoff

About two months ago, President Obama signed into law the “Hiring Incentives to Restore Employment Act of 2010” (the HIRE Act, P.L. 111-147 ). The main thrust of this Act is a payroll tax holiday and up-to-\$1,000 tax credit for businesses that hire unemployed workers. The Act also includes a one-year extension of the enhanced small business expensing option under Code Sec. 179 . Let’s look at some of the important details.

#### 1. Payroll tax holiday and up-to-\$1,000 credit for employers who hire unemployed workers.

To stimulate hiring by the private sector, the new law exempts any private-sector employer that employs someone who had been unemployed for at least 60 days from having to pay the employer’s 6.2% share of the Social Security payroll tax on that employee for the remainder of 2010. Your company could save a maximum of \$6,621 if it hired an unemployed worker and paid that worker at least \$106,800—the maximum amount of wages subject to Social Security taxes—by the end of 2010. Additionally, any qualifying worker hired under this initiative that the employer keeps on payroll for a continuous 52 weeks, makes the employer eligible for an additional non-refundable tax credit of up to \$1,000 after the 52-week threshold is reached, to be taken on their 2011 tax return. In order to be eligible, the employee’s pay in the second 26-week period must be at least 80% of the pay in the first 26-week period.

- Workers hired after the date of introduction of the legislation (Feb. 3, 2010) are eligible for the payroll tax forgiveness and the retention bonus, but only wages paid after March 18 receive the exemption for payroll taxes.

#### 2. Extension of enhanced small business expensing.

The new law gives one year of extra time to enhanced expensing rules, allowing qualifying businesses the option to currently deduct the cost of business machinery and equipment, instead of recovering it via depreciation over a number of years. For tax years beginning in 2010, the maximum amount that a business may expense is \$250,000, and the expensing election begins to phase out when a business buys more than \$800,000 of expensing-eligible assets. These dollar limits are the same as those that were in effect for 2008 and 2009, but

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without the HIRE Recovery Act, would have dropped this year to \$134,000 and \$530,000 respectively. In our next post, we'll break down some of the benefits of the payroll tax incentives. Will these incentives change the way you approach your staffing needs for the rest of the year?

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