



## Legal Alert: President Signs Law Providing Tax Break for Employers Who Hire Unemployed Workers

3/19/2010

On March 18, 2009, President Obama signed the Hiring Incentives to Restore Employment (HIRE) Act, (Public Law No. 111-147), which, among other things, provides a tax break for employers who hire employees who have been unemployed for the preceding 60 days. The law provides that private employers who hire previously unemployed workers between February 3, 2010 and December 31, 2010 may qualify for a 6.2% payroll tax incentive. Essentially, this incentive exempts employers from paying Social Security taxes on wages paid to these employees after March 18, 2010.

The law applies to businesses, agricultural employers, tax-exempt organizations and public colleges and universities.

Employers must obtain an affidavit from each unemployed worker who is hired, stating that this person has not been employed for more than 40 hours during the 60-day period ending on the date the person begins employment. The IRS has indicated that it is developing a form employees can use to make the required statement.

Employees hired to fill existing vacancies qualify for the exemption as long as the employee the new hire is replacing separated from employment voluntarily or for cause. Family members and other relatives do not qualify.

Additionally, for 2011, employers can claim an additional general business tax credit of up to \$1,000 for each previously unemployed employee who is retained for at least one year.

According to information on the IRS web site, the reduced tax withholding will have no impact on the employee's future Social Security benefits and employers must still withhold the employee's share of Social Security taxes as well as income taxes. Additionally, the employer and employee's share of Medicare taxes still apply to these wages. See "Two New Tax Benefits Aid Employers Who Hire and Retain Unemployed Workers," available at: <http://www.irs.gov/newsroom/article/0,,id=220326,00.html>.

If you have any questions regarding the new law or other labor or employment related issues, please contact the Ford & Harrison attorney with whom you usually work.