

## Nonprofits and the Hiring Incentives to Restore Employment Act

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March 25, 2010

The 2010 Hiring Incentives to Restore Employment (HIRE) Act was signed into law by President Obama on March 18, 2010. To encourage employers to hire new employees, this Act exempts qualified employers, including nonprofits, from **paying the employer’s share of the social security employment taxes (6.2 percent of the first \$106,800 of wages)** for wages paid in 2010 for any new employee **hired after February 3, 2010, and before January 1, 2011**. The exemption is for the nonprofit’s share of Social Security taxes on wages paid to these workers after March 18, 2010. **However, the new employee must have been** (1) previously **unemployed** and (2) **does not replace another employee** of the employer. The new employee cannot be a family member or other relatives of fiduciaries of the nonprofit.

This reduced tax withholding does not effect the employee’s future Social Security benefits, and employers would still need to withhold the employee’s 6.2-percent share of Social Security taxes and income taxes. The employer and employee’s shares of Medicare taxes would also still apply to these wages.

Furthermore, the new law requires that the nonprofit employer get a statement from each eligible new hire certifying that he/she was unemployed during the 60 days before beginning work or, alternatively, worked fewer than a total of 40 hours for someone else during the 60-day period. The IRS is currently developing a form employees can use to make the required statement.

**IRS, IR-2010-33:** <http://www.irs.gov/newsroom/article/0,,id=220326,00.html>

For more information regarding the 2010 HIRE Act, please contact Arocho Law Office at [info@arocholaw.com](mailto:info@arocholaw.com).

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