

More Federal Incentives Encourage Employers To Hire And Retain New Workers

Employers could be eligible for two recently approved federal incentives for hiring and retaining new employees in most of 2010.

The incentives are part of the federal Hiring Incentives to Restore Employment (HIRE) Act, and grant employers a Social Security tax exemption and offer a retention credit of up to \$1,000 for keeping new hires for at least one year.

To qualify for the Social Security tax exemption and the retention credit, the new employee must:

- Be hired after February 3, 2010, and before January 1, 2011.
- Certify through a signed affidavit (IRS form W-11) that he/she has not been employed for more than 40 hours during the 60-day period prior to being hired.
- Not be a family member or other relative of the employer.

For these new hires, employers will be exempt from paying their share of Social Security taxes on wages paid after March 18, 2010 through December 31, 2010, which is a 6.2 percent tax incentive that is reported on IRS Form 941, Employer's Quarterly Federal Tax Return.

Businesses, agricultural employers, tax-exempt organizations and public colleges and universities all qualify to claim the payroll tax benefit for eligible newly-hired employees. Household employers, however, cannot claim this new tax benefit.

The employee's 6.2 percent share of the Social Security tax and the employer's and employee's shares of Medicare tax still apply to all wages and must be paid.

Tax credit for retaining workers

To help keep these new hires, employers can also claim a retention credit of up to \$1,000 per worker on their 2011 business tax returns. To qualify for the retention credit, employers must retain the newly hired workers for at least 52 consecutive weeks and the employees must have wages during the last 26 weeks equal to at least 80 percent of the wages paid for the first 26 weeks.

Employers cannot take the Social Security tax exemption on workers for whom they claim the federal Work Opportunity Tax Credit (WOTC). They can, however, claim the retention credit as well as the WOTC for those employees that qualify for the exemption and WOTC and are retained under the same conditions listed above.

For the retention tax credit and the Social Security exemption, employers cannot:

- Replace another employee unless the other employee separated from employment voluntarily or for good cause.
- Carry back the credit to any taxable year that began before the enactment of this section.

For more information about these hiring incentives, visit the IRS website at www.irs.gov.

THE MICHIGAN EMPLOYER ADVISOR

is an Unemployment Insurance Agency periodical for Michigan Employers about unemployment insurance. Submissions should be related to UIA programs and services.

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Free Seminars for Employers on Michigan's UI System

The Unemployment Insurance Agency (UIA) is again holding a series of popular seminars for Michigan's employers. These seminars cover a range of topics to help explain Michigan's UI tax and benefit programs.

Seminar Topics Include:

- How UI Benefits are Calculated & Charged to an Employer's Account
- Underemployment
- How to Properly Read UIA Benefit Related Forms
- How an Employer's Tax Rate is Calculated
- FUTA Credit Reduction / State Tax Credit
- Reimbursing Employer Questions
- Online Services
- How to Properly Read & Complete UIA Tax Related Forms
- Appeals Process

The seminars, held in 20 locations throughout the state began June 22 in Marquette and continue through October 2010. Each session begins promptly at 8:30 am and concludes at 4:30 pm. Remaining dates and locations are listed in the table.

To register for a seminar, please go to www.michigan.gov/uia and select UIA 2010 Employer Seminar or [click here](#). Please register early. Sessions are expected to fill quickly. Employers with questions about the seminar can call the UIA's Employer Customer Relations staff at 1-800-638-3994 or email EmployerLiaison@michigan.gov.

Date City

July 27	Alpena
July 28	St. Ignace
July 29	Traverse City
August 12	Owosso
August 18	Detroit
August 24	Benton Harbor
August 25	Kalamazoo
August 26	Jackson
September 8	Clinton Twp.
September 20	Grand Rapids
September 22	Hastings
September 23	Lansing
October 13	Harrison
October 14	Flint
October 19	Livonia



WOTC Update

In the last Employer Advisor, we carried a story about the Work Opportunity Tax Credit (WOTC) and the addition of two new target groups to this federal employer tax credit program.

The story reported that the HUD Empowerment Zone (EZ) and Renewal Communities (RC) designations have expired for the credit. However, the Unemployment Insurance Agency (UIA) is still advising employers to continue to timely submit their applications for any new hires who are 18 to 39 years old or summer youth ages 16 to 17 and living in either the Detroit EZ/RC or the Flint RC. Legislation is pending in Washington D.C. to renew the credit for hires from these two designated communities and make them retroactive to the expiration date.

In addition, a similar situation may exist for the Disconnected Youth and Unemployed Veteran target groups that are currently set to expire after December 31, 2010.

To keep informed of any WOTC legislative law changes, contact UIA's WOTC unit at 1-800-482-2959 or 313-456-2105.

WOTC

Michigan Has Lowest Prescription Costs For Injured Workers According To 16-state Study

A recent study of prescription drug costs in 16 states revealed that Michigan had the lowest cost per claim for drugs that are used to treat workers who had been injured on the job.

The study, which was done by the Workers Compensation Research Institute (WCRI), found that the average payment per prescription drug claim in Michigan's workers compensation system was \$261, which was 37 percent below the median state.

Jack Nolish, director of Michigan's Workers' Compensation Agency (WCA), cited three main reasons the study found for the lower prescription drug costs in Michigan.

"First, in Michigan we pay lower prices for some commonly used medications," he pointed out. "In addition, fewer prescriptions use brand name medications when generic equivalents or alternatives are available, and finally, there are fewer prescriptions per claim."

According to the WCRI study,

- The average price per pill paid to Michigan pharmacies was 15 percent lower than the median of the 16 states. Average prices paid per pill were lower in Michigan than the median state for some medications, and typical for other drugs that were commonly used to treat injured workers.
- Brand name drugs were dispensed less frequently in Michigan. The study reported that pharmacy-dispensed prescriptions for brand names was 15 percent in Michigan, compared to 17 percent in the median state.
- Physicians wrote and injured workers filled fewer prescriptions per claim. The average number of pills per claim was 20 percent lower in Michigan than in the median state.

One factor that may have increased prescription costs in Michigan was that some doctors wrote prescriptions and dispensed the medications directly to the patient, which accounted for 27 percent of all prescriptions. On average, physicians were paid more per pill when they dispensed them compared to what pharmacies received for the same prescription.

States included in the study were California, Florida, Iowa, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Michigan, New Jersey, New York, North Carolina, Pennsylvania, Tennessee, Texas and Wisconsin. The study used data from approximately 160,000 claims representing over 900,000 prescriptions.

“Ask the Lawyer”



Question: How many days must an employee work for a Michigan company in order to obtain unemployment benefits? We have an employee who worked about 10 days for us and was able to get benefits.

Answer: When a worker files a claim for unemployment benefits, the wages paid to the worker by all the employers he or she worked for during the “base period” of the claim are taken into consideration in determining whether the worker is eligible for benefits, and how much and for how long the worker could receive benefits.

That means that some portion of the unemployment benefits payable to the worker (and chargeable to the employer’s experience account) could be based on wages paid by an employer even if the person was employed by that employer for just a few days – or even a few hours.

The amount of benefits chargeable to an employer is based on the total, gross wages paid to the worker by that employer during the base period of the claim, as a percentage of total, gross wages paid to the worker by ALL base period employers. Therefore, if an employer paid a worker for just a few hours of work in the base period, that employer’s percentage of the charge for the worker’s unemployment benefits would be very small.

The “base period” is generally the first four calendar quarters, from among the last five completed calendar quarters. So, for a claim filed in July, August, or September, 2010 (the third calendar quarter of 2010), the worker’s base period would be the first calendar quarter of 2010, and the fourth, third, and second calendar quarters of 2009. A worker must earn a certain amount in the high-earnings quarter of the base period, and also a certain amount in the entire base period, to qualify for a claim.

Question: We are looking to hire a temporary worker for 90 days. At the end of the assignment, will our company be charged/responsible for Unemployment benefits if the person applies for unemployment benefits?

Answer: Assuming the worker performed services for the company as an employee in employment covered for unemployment benefits, and assuming the worker was paid sufficient wages with that employer and other employers in the base period to establish a claim, and assuming that the worker was simply laid off from the job (that is, did not quit voluntarily and was not fired for misconduct), the worker could draw unemployment benefits based on work with that employer and other base period employers. The fact that the worker was only hired to be a temporary worker would not prevent the worker from being covered for unemployment benefits.

If you have a question for “Ask the Lawyer,” please submit it to: employeradvisor@michigan.gov. Please indicate if you would like to remain anonymous.

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State of Michigan, Department of Energy, Labor & Economic Growth, Unemployment Insurance Agency, Authority, UIA Director, Published July 2010.

Please direct questions, suggestions and comments to: employeradvisor@michigan.gov