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Why It Might Be a Good Idea to HIRE Additional Employees This Year

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On March 18, 2010, President Obama signed into law the “Hiring Incentives to Restore Employment Act” (the “HIRE Act”). The HIRE Act includes a number of tax incentives for employers to hire new workers, including a payroll tax exemption.

The main focus of the HIRE Act is a provision that provides Social Security tax forgiveness for private employers, state colleges, and universities under certain circumstances. Employers will be exempt from paying their portion of the 6.2% Social Security payroll tax in 2010 for every worker who was previously unemployed for a period of at least sixty (60) days, hired between February 3, 2010, and the end of 2010. In order for the employer to receive the exemption, the newly hired employee must: (1) certify by affidavit that he/she did not work more than forty (40) hours in the preceding sixty (60) days, and (2) not replace another employee of the company, except where the former employee quit or was terminated for cause.

The HIRE Act also provides an incentive for employers to maintain new workers. Employers will receive a \$1,000 income tax credit for every new employee hired during the specified time period and retained for fifty-two (52) consecutive weeks. Additionally, under the Act, businesses can write off investments they make in equipment this year.

By some estimates, the HIRE Act will create as many as one million jobs. The implication of the tax incentives alone are anticipated to provide as many as 300,000 jobs.

Employers should factor the tax credit and payroll tax exemption into their hiring decisions this year and consult their counsel if questions arise regarding its applicability.

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